Chain Store Age
EXECUTIVE
with Shopping Center Age
The newsmagazine for retail operations
October 1980

Retail Technology '80

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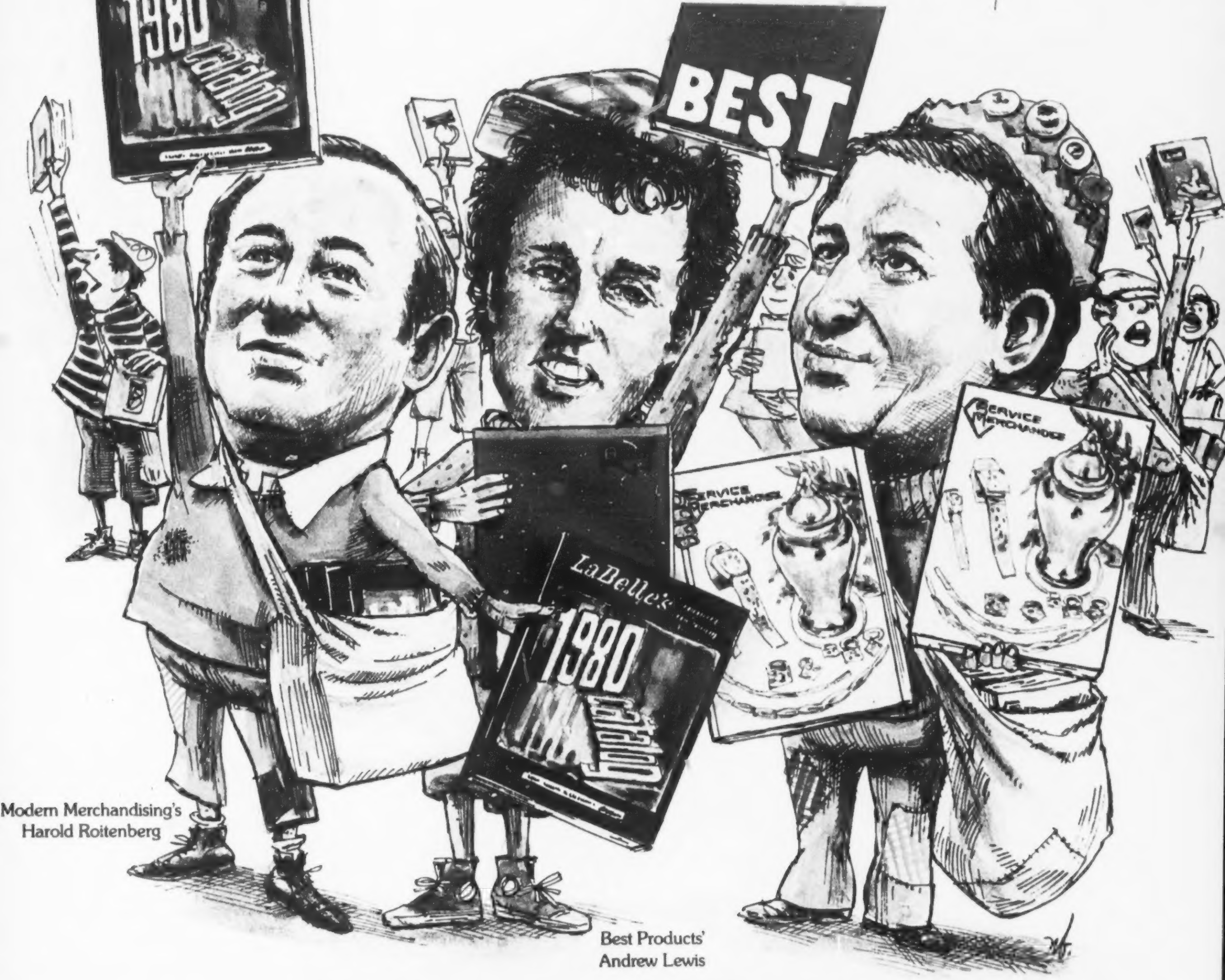
LaBelle's
1980
Catalog
BEST
Service Merchandise

Modern Merchandising's
Harold Roitenberg

Best Products'
Andrew Lewis

Service Merchandise's
Raymond Zimmerman

COMPETITION
Catalog showrooms now battle each other

FIFTEEN DOLLARS A YEAR (USA)

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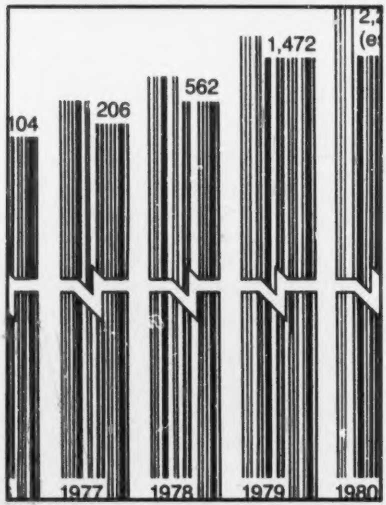

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Hard savings an MIS statistic now

While retailers eagerly await the "soft" savings from scanners and other management information systems (MIS), most admit they are still working out the bugs in their programs and striving for more basic benefits—the so-called hard savings.

In the past, MIS directors have been preoccupied with the start-up problems associated with scanning, such as establishing Universal Product Codes, winning management approvals, installing the new technology and educating store employees or wary consumers.

Now, however, this groundwork has been laid, and scanning is winning praise from most quarters. In addition, data processing officials are beginning to realize hard benefits like reduced shrinkage and better front-end productivity.

Software savings—derived from program information and not the equipment itself—are still several years away for most grocers, but already MIS directors like what they foresee. These potential benefits include:

- Better merchandising information, with earlier and more accurate data on new products, seasonal goods and display changes;
- Better pricing information originating from a more complete analysis of promotions, advertising and marketing decisions;
- Better inventory controls, with closer tracking and supervision of goods flowing from receiving all the way through checkout.

Potential benefits of the systems: better pricing information, controls

"It is easier to get across the word about hard savings because store managers can really see those benefits," says Donald R. Buchanan, Giant Food's vp-data processing. "But eventually, the soft savings will be more important than the hard savings.

"The net result of utilizing all the soft savings will be to manage companies differently from the top," Buchanan continues.

With information on item movement from individual units, "each store can be tailored to the socioeconomics of a particular neighborhood. There will be be less unnecessary inventory and more of what our customers want."

Other MIS directors agree that software benefits will revolutionize supermarket retailing, adding that better data should also be helpful for accounting and security reports.

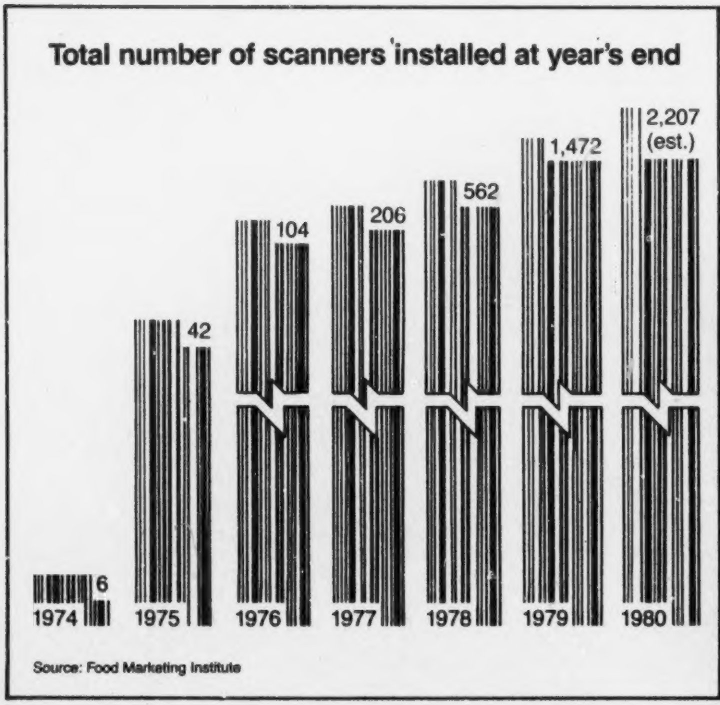
About the only problem experts envision with soft savings is that management might be overwhelmed by the resulting memos and new statistics. Says one data processor, who expects the overload to be cleared up soon:

"Right now, we are still in the throes of learning how to deal with the monumental amounts of new information. Time will do a lot of the healing, though," as retailers learn to sift out the useless data.

While most software benefits have yet to be realized, many grocers are already seeing the hard savings from scanning, such as:

- Faster checkouts and check authorizations;
- Gains in store productivity, labor productivity and inventory turns;
- A reduction in shrink, both as the possibility of "sweetheart checking" is reduced and as price change capabilities are speeded up. (Sweetheart checking occurs when a cashier rings up an item at a discount, usually for a friend.)

With scanning equipment, a cashier can ring up and bag an item


Total number of scanners installed at year's end

Source: Food Marketing Institute

in one motion, thus reducing labor costs and a shopper's waiting time. In addition, the scanner provides faster check approvals, more detailed register receipts and identification of food stamp items—all of which contribute to widespread reports of consumer acceptance.

From an operations standpoint, retailers report the equipment gives them better control over front-end scheduling, price changes and inventory losses. Payback on the scanners ranges from a year and a half to two years, depending on a store's volume and start-up problems.

Instead of relying on intuition, store managers now have printouts to help them in front-end scheduling, which has resulted in higher checker productivity and a more efficient use of lanes.

One chain estimates that its cashiers process 17% more per hour with scanning

In fact, Wisconsin-based Roundy's estimates that its cashiers process about 17% more items per hour under the scanning program, says Michael D. McGee, the company's vp-corporate stores division.

As for inventory controls, scanners eliminate many misrings and opportunities for sweetheart checking, inasmuch as UPC markings (and not cashiers) register the item prices. In addition, automatic price changes help grocers recover monies otherwise lost when price increases aren't passed on.

Finally, another return on investment comes from data retailers collect and then sell to research firms. As one MIS director at a Midwest chain says:

"We've already made several thousand dollars selling the information, and all we have to do is forward them our tapes. In turn, that data goes to the manufacturer, which eventually helps him give us more desirable products."

By contrast, general merchandisers have not seen the same soft or hard savings with wanding, in part because their unit volume doesn't justify the minimal speed-up in transactions or replenishment.

Moreover, grocers have resolved most of the problems with their UPC markings, whereas the general merchandiser's preferred code (OCR-A) is a continuing headache.

That's because many vendors still aren't using the code, and stores have encountered trouble in marking the tickets themselves, not to mention the additional labor that requires. In addition, discount stores that carry food and general merchandise are hampered by the incompatibility of the OCR-A and UPC systems.

Return on investment can come from scanner data sold to research firms.

In spite of these obstacles, innovative companies, such as J. C. Penney and Dillard, are already seeing hard and soft gains with wanding, so it's only a matter of time until other general merchandisers catch up to them in MIS. ■

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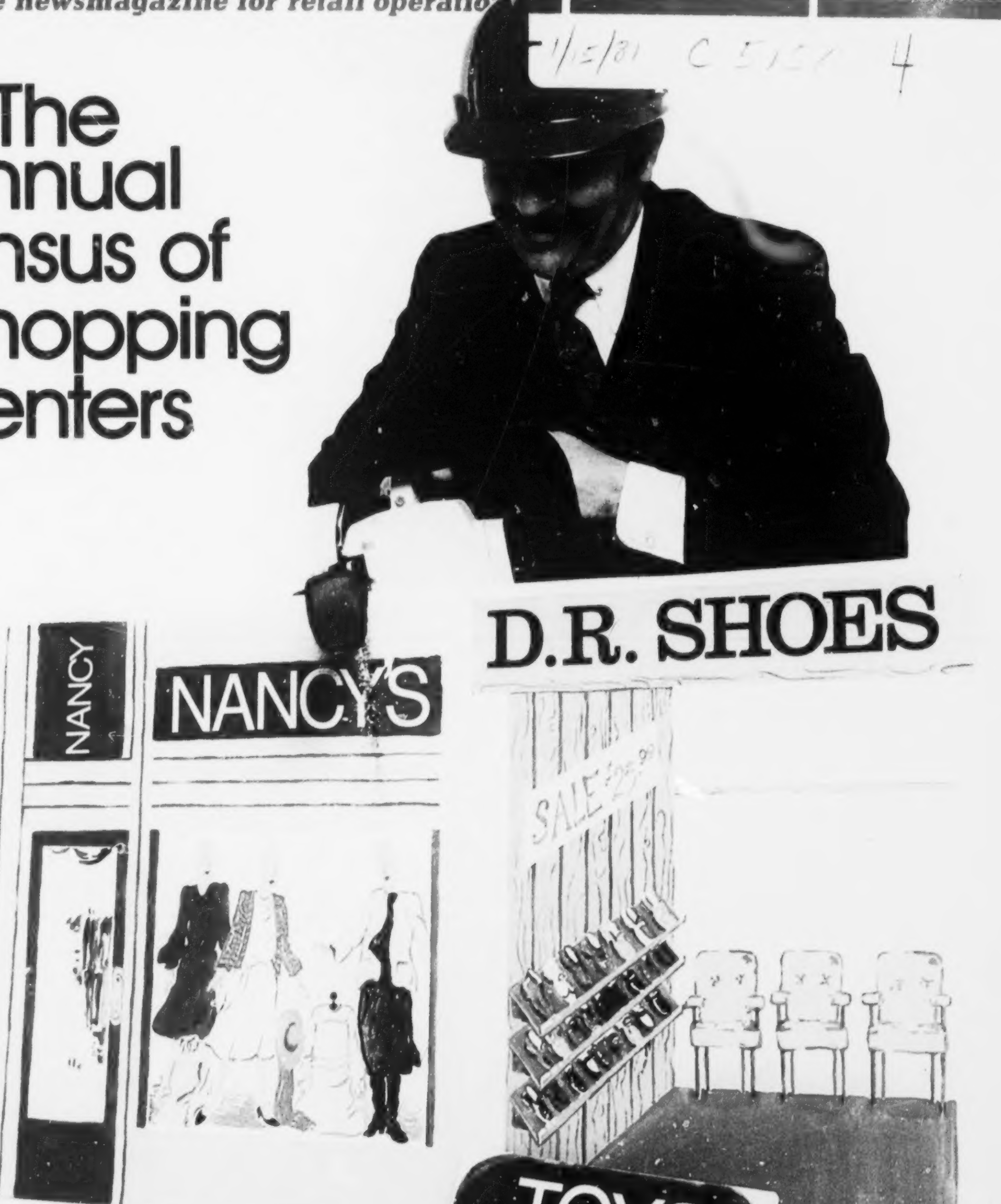
The Annual Census of U.S. Shopping Centers


NANCY
NANCY'S
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Cutting space, increasing productivity

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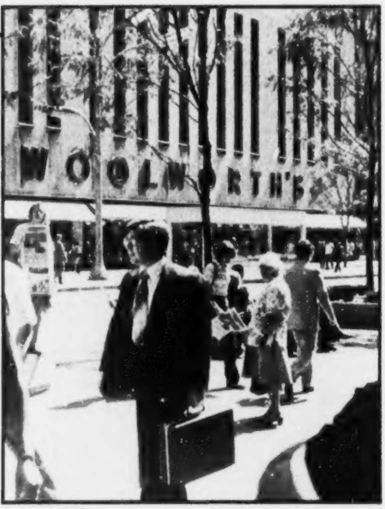
"Operations" includes finding ways to improve rents.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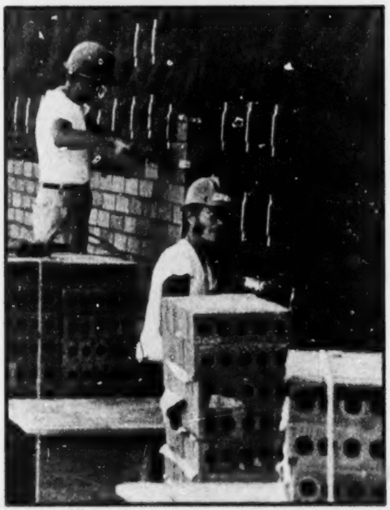
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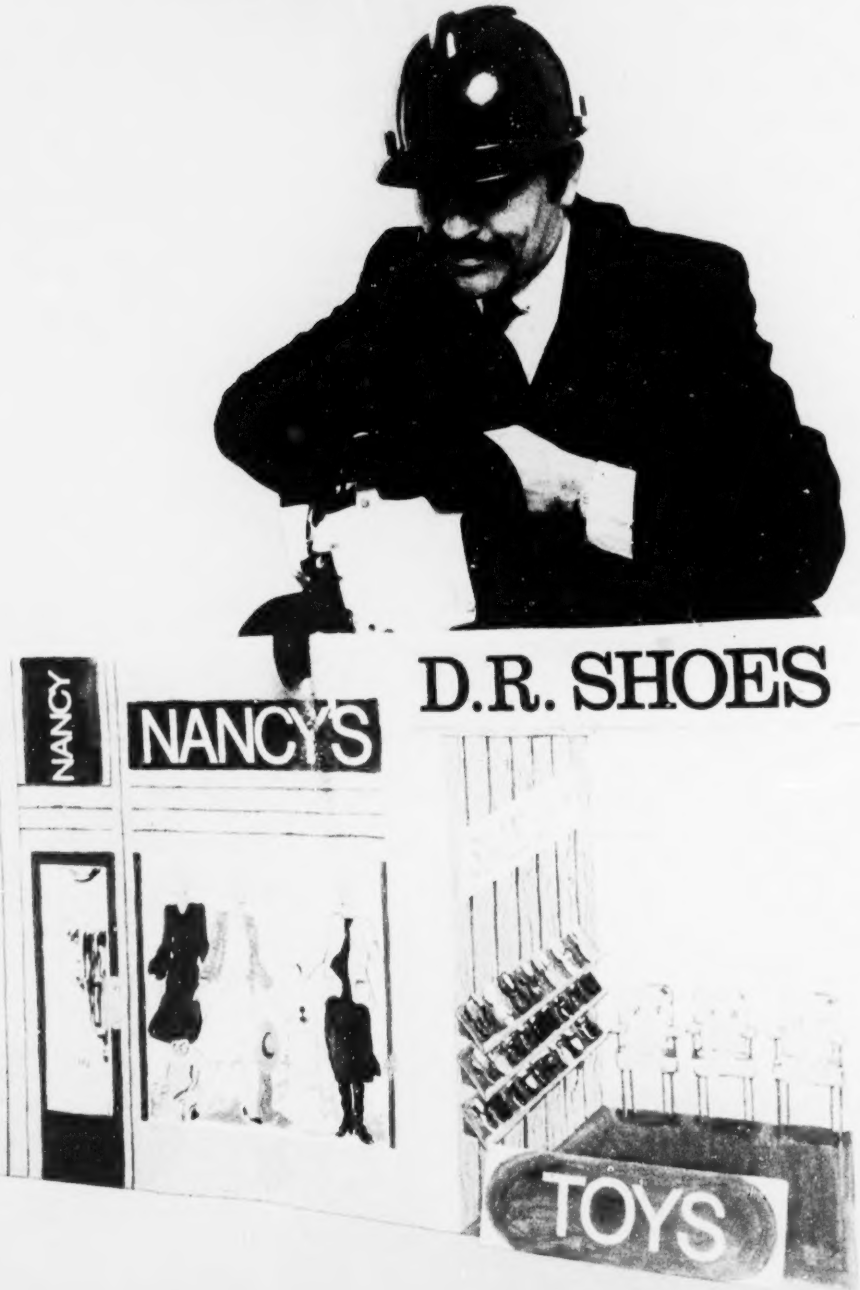

Cutting space, increasing productivity

Special problems call for special solutions, and the *1980 Census of U.S. Shopping Centers* details some of the approaches developers, owners and managers are taking in the areas of tenant leasing, ongoing operations, and development and construction. There is also a special feature on the latest trends in demographics and psychographics.

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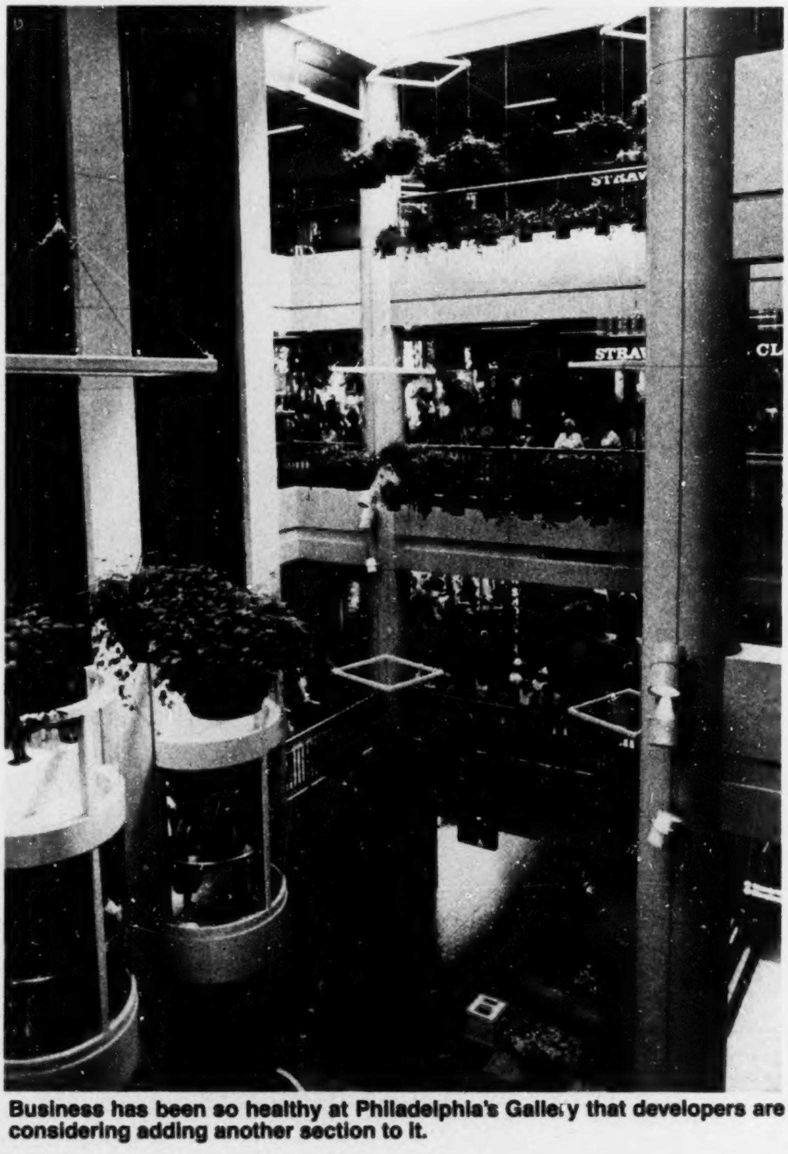
Conflicting signals about urban sites

With all the demographic and financial changes taking place in the United States today, retailers are finding decision-making about site selections increasingly difficult. Some factors complicating their choices:

- Retailers who have written off the downtown areas of major cities as nonproductive are seeing a surge of construction and a growth of new jobs there.
- The Department of Housing and Urban Development is still campaigning hard to rebuild the center cities and to put the suburban shopping center drive into neutral.
- The high cost of money has changed the terms of financial agreements between major lenders and shopping center developers, slowing up new starts and forcing retailers to take another look at existing stores and existing shopping centers.
- Still other retailers are re-evaluating their plans to rush into the Sunbelt after they studied the effects of the long drought and high temperatures this past summer on business.

For a number of reasons, including the energy crisis, retailers are seeing an increase of business in their downtown stores after almost a decade of watching it slip away to suburban malls. Construction is booming in Washington, D.C.; office, apartment and hotel buildings are rising along Madison, Lexington, Fifth, Third and Second Avenues in Manhattan; the Federal Government and retailers have joined forces to spend about $100 million in revitalizing State Street in Chicago (*Chain Store Age Executive*, November 1980); a shopping center with major tenants recently opened in downtown Pasadena, and central St. Paul, Minn., has the shiny look of a new city.



Business has been so healthy at Philadelphia's Gallery that developers are considering adding another section to it.

In New York's Herald Square, a once-dormant Macy's is benefiting from a complete overhaul that has boosted the parent company's sales and profits. Baltimore's Harborplace waterfront development of shops and cafes has revitalized that city, and the Gallery in downtown Philadelphia has fared so well that another section is being contemplated.

The high cost of money has slowed construction, reducing the number of shopping center startups. In recent years, says Jerome F. Lipp, president of Carter Hawley Hale Properties, "We've had a lot of fill-ins. If the developers can't help us [with new malls], we'll go where there is [existing] room." CHH Properties, a subsidiary of the retail chain of the same name, also is spending a substantial amount of money on renovating existing stores, Lipp says.

Still another element in shopping center development is the decline of long-term, fixed-rate loans by the banks, insurance companies and pension funds. Now the lenders want shorter terms, usually about five years, with kicker clauses for the rates as they rise.

Only a few years ago, developers would borrow more than they needed to build a shopping center at a fixed rate of about 2% per annum for about 20 years. (In October, the rate was between 13% and 14%.)

Also, most insurance companies want partial or total equity in the shopping centers that they're financing or refinancing in order to benefit from the soaring rate of inflation, whether it be for a new mall or rehabilitation of an existing one.

Other sources of financing may be drying up. Industrial bonds, used

A statistical look at the markets

Rank	Market (by population)	Total Dept. Store Sales[1] (000,000)	% change Aug. 1979 to Aug. 1980
1.	New York	$2,783	+ 6%
2.	Los Angeles/Long Beach	3,955	+ 8
3.	Chicago	3,357	0
4.	Philadelphia	1,847	0
5.	Detroit	2,119	− 2
6.	Greater Boston	1,221	+ 6
7.	San Francisco/Oakland	1,764	+11
8.	Washington, D.C.	1,647	+ 7
9.	Nassau/Suffolk, N.Y.	N.A.	—
10.	Dallas/Fort Worth	1,620	+ 7
11.	Houston	1,719	+12
12.	St. Louis	1,273	+ 7
13.	Pittsburgh	1,264	+ 3
14.	Baltimore	879	+ 3
15.	Minneapolis/St. Paul	1,388	+ 3
16.	Newark	594	+ 5
17.	Cleveland	1,043	− 2
18.	Atlanta	1,152	+ 6
19.	Orange County, Calif.	N.A.	—
20.	San Diego	1,134	+ 7
21.	Denver/Boulder	858	+ 3
22.	Miami	892	+10
23.	Seattle/Everett	805	+ 7
24.	Milwaukee	778	+ 1
25.	Tampa/St. Petersburg	783	+12
26.	Cincinnati	878	0
27.	Buffalo	594	− 2
28.	Riverside/San Bernardino	746	+ 9
29.	Kansas City	739	− 1
30.	Phoenix	764	+ 4
31.	San Jose	808	+ 9
32.	Indianapolis	666	+ 1
33.	New Orleans	557	+ 9
34.	Portland, Ore.	593	+15
35.	Columbus, Ohio	647	+ 1
36.	Hartford	357	+ 1
37.	San Antonio	514	+ 4
38.	Rochester	386	0
39.	Sacramento	528	+ 6
40.	Memphis	406	+11
41.	Louisville	482	+ 1
42.	Broward Co., Fla.	N.A.	—
43.	Providence	350	+ 3
44.	Dayton	485	− 5
45.	Salt Lake City	419	+19
46.	Bridgeport	173	+ 4
47.	Birmingham	292	− 1
48.	Norfolk	294	+ 9
49.	Albany	287	+ 7
50.	Toledo	407	+ 4

Source: U.S. Dept. of Commerce, most recent available figures.

[1] 12-month total from September 1979 through August 1980.

N.A.—Not available

quite extensively by K mart to finance its expansion, have come under the scrutiny of the House Ways & Means Committee and may be changed. Last summer, a number of retailers rushed into the bond market to refinance their short-term debt and to provide funds for expansion. But in the fall, as interest rates soared, bonds fell out of favor when the Federal Reserve System tightened credit further, making borrowing even more costly. Corporate treasurers began deferring long-term financing plans as investors showed reluctance to hold long-term bonds.

Associated Dry Goods has cut back on excess space through sale or subleasing, says vp O'Day.

H.U.D. continues to show interest in providing seed money for rebuilding downtown areas in order to help cities increase their tax bases. (Some developers claim that H.U.D. applies pressure even when Federal funds aren't involved.) At the same time, it has discouraged building shopping centers in the suburbs, much to the consternation of many shopping center developers and retailers.

Still another direct result of the increased cost of money is the reduced size of stores in both existing and new malls. From a developer's viewpoint, it's more profitable to divide an existing store into two and to have two companies paying rent instead of one. A well-established store usually finds it can do as much if not more volume in less space than it did in larger quarters and, thus, can increase productivity.

Real estate and merchandise departments sometimes disagree about reducing the size of a store. Merchandise executives say they need a certain amount of space to present their goods decently, says

Bruce MacLeod, vp-real estate, Federated Department Stores, and formerly an executive with The Rouse Co.

In addition, says MacLeod, a chain can downsize a store too much. For instance, Federated built a 60,000-sq.-ft. Filene's in New Hampshire. It was so successful, however, that Federated is planning to expand the size of the store. Question: How small should it have been designed originally?

Retailers must also consider the effect on profits when they reduce the size of stores. In some cases, the excess space is used as administrative offices and brings in no additional income. But sometimes the excess space can produce substantial income.

Associated Dry Goods had 6 million sq. ft. of excess space and has been cutting back through the sale or subleasing of the space, says Arthur F. O'Day, vp-real estate. Two floors of the Sibley, Lindsay & Curr store in downtown Syracuse have been rented to Kemper Insurance Co., and two floors in its Rochester store have been rented to General Motors.

Woolco, a division of the F. W. Woolworth Co., has carved out spaces in many of its stores and subrented to J. Brannam, another Woolworth division that sells off-priced branded apparel.

Glenn C. Evans, of Woolworth/Woolco, says there were 27 J. Brannam stores in October, and that this number should hit 40 by this coming spring and 55 a bit later. "We've run out of Woolco stores" to house J. Brannams, he says.

Increased costs are also having an adverse effect on chain expansions. Because it's becoming too expensive to transship goods from city to city, there will be less expansion of smaller chains outside of one city, says Kenneth H. Hughes, executive vp, Henry S. Miller Co., Dallas, a company that concentrates on middle- and smaller-sized shopping centers. Therefore, he adds, small chains will tend to expand locally more often and to use smaller stores. ■

—Stanley H. Slom

New York City's Macy's has enjoyed substantially improved sales and profits since it was completely remodeled.

WOOLWORTH'S

Chicago's State Street mall exemplifies the trend of revitalized downtown business areas in many cities.

Creative approach crucial for good tenant mix

The hottest tenants around today, leasing experts agree, are the local merchants. Not only do they lend character to a mall, but their emphasis on customer service and their extensive selection of merchandise tend to produce sales that far exceed the national chains' volumes, as well.

However, a choked money market and steep interest rates are making it next to impossible for these small operators to set up shop in the shopping centers that so desire them. In response to these trends, developers are devising ingenious ways such as larger than normal construction allowances and loans for the mom-and-pops to remain active.

To be sure, special financial packages are nothing new to sought-after tenants. "The situation isn't different than in the past," says Harold Eisenberg, vp for Ken Tucker & Associates of Skokie, Ill. "It's just a little more prevalent today."

One approach is for the developer to subsidize the tenant's interest rate. "If a merchant has paid 12% for his money in the past and is paying 15% today, we would agree to compensate him for the difference in his percentage rent for a period of time," Eisenberg explains.

To succeed in these financially unsettled times, developers must choose the right tenant combination.

Others prefer different steps. "Rents aren't really the problem," argues Michael LaRue, vp-director of leasing for American Income Properties in Chicago. "The pressing problem today, because of the cost of capital, is the going-in cost," he adds. As a result, the developer is testing several concepts including additional construction allowances that are repaid in the form of increased percentage rents.

In these times of tough financing, "if you're really committed to maintaining good tenant mix in your center, you have to develop some creative approach to doing it," LaRue insists.

Local entrepreneurs run nearly all of the men's-wear shops in Northbrook Court, a Homart Development Co. center in Illinois. Formerly stationed along nearby Chicago's affluent North Michigan Avenue, only the strongest retailers that were well-known throughout the market were lured away to Homart's mall. With lines that are decidedly upscale, appealing to an elite audience, these retailers today are escaping the recession unscathed. In fact, their sales are way ahead of the center as a whole, at an average of $200 per square foot, and in some cases running as high as $300, compared with Northbrook's overall volumes of $175-$180 per square foot.

Going-in costs, not rents, are the major problem, says one vp.

With such impressive results, it's no wonder these stores are given so much space—some 15%, or 56,200 sq. ft. of the 370,000-sq.-ft. GLA.

But other developers aren't as generous with men's shops. Problems in structuring deals is one frequently given reason why a large number of centers go for other uses. "The ratio of women's to men's is two-to-one probably," says Monty M. Daniels, director of leasing for Dallas's NorthPark Center, a 15-year-old project owned by Raymond D. Nasher Co. of Dallas, that is undergoing partial retenanting. "This year men's apparel [in malls] has been very, very slow. It just died," he adds. He believes most

Urban centers such as Chicago's Water Tower Place have profited by catering to tourists and conventioneers looking for gift shops.

men prefer to shop close to home, in establishments they've been patronizing for years.

More and more, the slack created by the men's-wear stores is being taken up by a whole new breed of tenant, namely, service operations. Geared to meeting social needs that leasing directors once ignored, traditional service outlets such as banks, tailors and shoe repairs are gaining new popularity in malls.

"Shopping centers have long been described as the new town centers, and yet they've only gone a very small portion of the way in fulfilling that role," explains American Income Properties' LaRue. "The kinds of uses that will enable people to really use them as one-stop general service facilities still need to be added," he notes. These service operations generally don't pay percentage rents, have base rents lower than other tenants and usually fall short of producing fantastic revenues for the developer. "They're just another mall amenity," says LaRue.

New amenities like medical centers and legal offices are also in demand. Developer Richard I. Rubin & Co., which is headquartered in Philadelphia, has begun leasing space at entrance mall locations to dental clinics. Occupying some 2,000 sq. ft., "they're doing supersensationally," claims Lewis M. Stone, the company's leasing director. Instead of a percentage, the

Tenant profiles of six types of shopping centers*

	Urban			Nonurban		
Category	Under 100,000 sq. ft. GLA	100,001-500,000 sq. ft. GLA	Over 500,000 sq. ft. GLA	Under 100,000 sq. ft. GLA	100,001-500,000 sq. ft. GLA	Over 500,000 sq. ft. GLA
Department stores	N.A.	16.20%	32.07%	1.52%	10.17%	32.85%
Gen'l merchandise	N.A.	18.18	22.89	N.A.	11.54	21.82
Discount store	5.62	10.65	0.91	9.21	10.06	1.51
Variety store	4.85	3.29	2.19	2.42	3.43	1.18
Catalog showroom	0.61	0.86	0.19	0.67	1.58	0.21
Supermarket	28.56	8.04	2.00	35.38	14.24	1.85
Drug store	11.89	3.61	1.64	8.96	5.07	1.49
Large specialty store	N.A.	2.29	1.21	0.48	0.99	1.28
Women's apparel	2.79	4.61	7.23	2.16	5.07	6.92
Men's apparel	3.48	2.06	2.33	1.04	1.59	2.93
Other apparel	1.73	1.95	1.57	2.20	2.08	1.98
Shoe	0.50	2.15	2.51	1.89	2.62	2.90
Jewelry	0.44	1.19	1.07	0.36	0.86	1.23
Card & gift	1.18	1.78	1.34	2.43	1.85	1.42
Service shops	5.86	5.14	1.83	10.15	4.64	1.44
Entertainment	3.16	1.95	1.91	0.88	2.46	1.93
Recreation	0.25	1.88	1.07	2.30	1.27	1.07
Fast food	2.16	1.38	1.63	2.50	1.40	1.15
Sit-down restaurant	4.24	3.27	2.29	4.64	3.17	2.42
All others	22.69	9.56	12.11	10.82	15.91	12.41

N.A.—Sample too small to be statistically significant.
*Expressed in terms of % of total GLA.
Source: Lebhar-Friedman Research

Taking the guesswork out of tenant selection

While shopping mall developers are feverishly working to concoct the right blend of stores, The Taubman Co. has hit upon a formula that takes the guesswork out of tenant selection. It's called a retail analysis department and is staffed by people with backgrounds in merchandising who are charged with assessing the pluses and minuses of potential tenants for the company's new centers.

"There may be 14 junior apparel retailers that want to come into the center," explains Adria Aronow, director of the program. "We would want a qualified report to define the strengths of each operation so that we can be as healthy in our tenant mix as possible."

The department does this by scouring other malls for merchants that are successfully meeting the needs of their customers. The criteria: merchandise assortment, category breakdown, representation of price lines, displays, store design and layout. Also included in the search are surveys where shoppers are asked to evaluate a store on all of those aspects, as well as the treatment they received and how the retailer stacks up against its competitors and comparable department store lines.

If it's an existing center that's being retenanted, the analysts would devote their time to studying what's already being offered in the complex and to polling consumers on what they feel is missing. Requested uses might include service operations like bakeries, drug stores and stationery stores, and merchants catering exclusively to petite women or large sizes. "As the department stores give up certain areas, the shoppers turn to specialty stores to provide those offerings," Aronow says. "That creates an opportunity for more small stores."

In addition to assessing potential tenants, the two-year-old analysis department functions as a consultant free of charge to merchants in any of Taubman's malls, covering the same areas as in the first division. The bulk of this work is geared toward assisting local merchants, "because many times those are the very types of tenants that cannot afford to go out and hire merchandising consultants that are very costly," Aronow says. "We're giving them access to a lot of information and resources that they might not get otherwise."

Projects may be limited to a single unit, or encompass several stores of the same chain, and often take as long as three or four months to complete. Sometimes the analysts continue to work with a retailer on an ongoing basis over a period of several years.

One example of such a continuous project is a women's apparel chain that had failed to identify its customer and was misrepresenting itself to the public. What's more, it was lacking certain necessary merchandise lines and price points. The result: "The customer would be frustrated and leave and go elsewhere to get that collection," Aronow states. But after incorporating many of her suggestions, which included things as specific as relocating an accessories department that, besides making changes in merchandise, was too accessible to shoplifters, the stores' sales jumped 10% the first year.

The most successful retailers have several things in common, Aronow claims. "They are the ones that seem to have a much more sophisticated approach to analyzing their own customer and servicing her needs. Also, they have a consistency in their merchandising philosophy; they're not one thing one day and another the next. But that doesn't mean that they're not flexible or don't adapt to new trends."

clinics pay a minimum rent that's increased every few years to compensate the developer for inflation. They participate in all mall advertising and promotions, and have the same 10-year lease terms as the other tenants to help amortize their leasehold improvements.

Similarly, amid retailers such as Macy's, Franklin Simon, Thom McAn and Lerner Shops in Westchester County, New York's mall in New Rochelle, is a 1,000-sq.-ft. laundromat. Complete with hanging plants, soft music and a decor that's calculated to fit in with the other tenants, the laundry center's 17 stainless steel washers are intended to stress convenience for shoppers.

OPTICAL
ZALE

Developers are snapping up specialized stores such as optical shops to bring in new groups of customers.

An Eastern Airline ticket office in Regency Square Mall in Jacksonville, Fla., is also symbolic of the changes sweeping through the industry. Situated in a convenient spot within the six-anchor, 1.1 million-sq.-ft. center, the ticket office functions as a draw for both the airline and the mall, Regency Square officials say. Staffed by three part-time employees, the operation enables shoppers to phone in their orders to a central number and receive their tickets over a computer with 20 seconds. Besides the obvious convenience, this arrangement is intended to replace the long lines at traditional ticket offices.

At the same time, many new concepts that aren't service-oriented are entering the field. Chains as diverse as The Limited, Brooks Fashion Stores, Melville, Kinney Shoe and cataloger Service Merchandise are creating various types of divisions to bring them new groups of customers. Optical shops that cater to fashion trends in eyeglasses and video stores that are capable of producing volumes two and three times higher than apparel merchants are being snapped up by developers.

These highly specialized uses tend to focus more on lifestyles than income levels. "[They] go beyond demographics—numbers, raw income data and that sort of thing—and focus on lifestyle, which is very difficult to define in numbers," says American Income Properties' LaRue. Because of their streamlined approaches, these ultraspecialty stores need less room and they fit nicely into the smaller tenant spaces being created more and more by subdivisions.

What's more, they're easy businesses to start up, and are giving rise to a spate of highly individualized merchants. "A guy called me this morning who wants to put in a store selling just Snoopy stuff," comments Rubin & Co.'s Stone.

Many of these tenants, developers say, are better geared to urban centers where the traffic tends to be heavier and more diverse. "In a suburban situation it's more serious day-in and day-out shopping, as opposed to tourist and conventioneer shopping where people are in a festive mood," comments James B. Klutznick, executive vp in charge of leasing for UIDC Management Inc., the properties management arm of Chicago's Urban Investment & Development Co. "They buy things they ordinarily wouldn't buy in their own suburban centers back home," he adds. Gourmet cookware and unique gift shops selling things like crystal or dolls work especially well in the company's seven Chicago-based malls.

There is emphasis now on making malls the new town centers and one-stop shopping areas.

In some cases, developers are leasing to tenants who don't pull in traffic or produce high volumes. These are the consumer research companies that are typically charged a small base rent, but which more than pay for themselves by providing the developer with ongoing data at prearranged intervals. "They help us determine who our customers are, where they're coming from, shopping habits, research into lifestyles, and likes and dislikes," says Ken Tucker's Eisenberg, who adds, "We do the demographic work ourselves." ■

—Lynne Bershad Mignoli

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Fewer frills, less space to reduce costs

Overall development costs—for land and the so-called "hard" and "soft" expenses—are up about 12% to 16% over last year, builders and retailers agree.

Meanwhile, developers disagree over how best to hold down their budgets and yet still still meet minimum objectives: maintaining aesthetic standards, improving energy efficiency and complying with increasingly stringent government regulations.

In addition, the scarcity of acceptable locations for new projects only makes the inflationary squeeze that much tighter. Laments one observer, John W. Hechinger Jr. of the Hechinger Co., "It is becoming more and more difficult to find commercial land. And those properties that are available either have government approval or site [improvement] problems."

To survive in this more competitive and cost-conscious market, builders and retailers are experimenting with a variety of measures, including:

- Downsizing in every aspect of a mall's design, from smaller GLA's for majors and tenants to narrower common areas and limited center courts.
- Increasing the ratio of selling to nonselling space by eliminating unproductive departments such as furniture, or further reducing service areas and office space.
- Adopting a "less frills" approach to fixturing and construction, with simpler exteriors, fewer skylights and waterfalls and less expensive building materials wherever possible.

As noted, expenses for all phases of development—from off-site work to on-site work and actual construction—are up dramatically, with certain hard and soft costs leading the way.

Many builders now favor smaller spaces for majors and tenants

(Hard costs are incurred for such expenses as material, labor and equipment, whereas soft costs include professional fees, financing charges and the costs of marketing studies or regulatory delays. Land is generally treated as a separate and more variable item.)

For example, increases in hard costs are now paced by parking lot asphalt, a petrochemical-based substance that has been rising at about 2% per month. Developers also cite vertical transportation such as elevators and escalators, along with skylights and high-grade construction materials, as other problem areas.

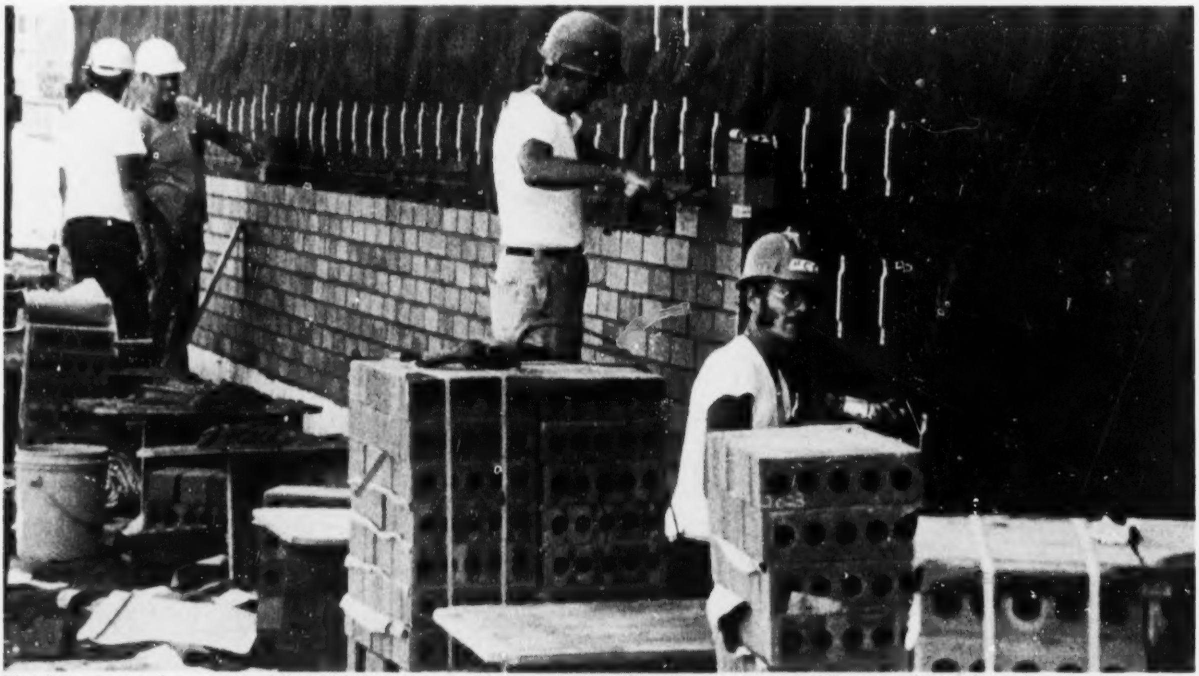
As for soft costs, high interest rates on both construction and long-term loans have been getting all the publicity. However, legal and architectural fees are also skyrocketing, and stiffer government regulations likewise contribute to the ever-higher overhead.

Also, the proliferation of guidelines—*e.g.* requirements for retention ponds or erosion control—means "you have to pay for things you never thought you'd have to pay for," one builder says, adding:

"I think regulations are getting to be more of a problem. Some of them are legitimate and some aren't, but it always means delays and higher costs for us."

While acknowledging that little can be done to prevent regulatory delays or hold down "uncontrollable" costs like land or asphalt, developers are nevertheless looking for other ways to stretch their capital dollars.

One such approach, of course, is downsizing—with many builders now favoring smaller spaces for ma-



Hard costs such as material and labor are soaring, causing developers to consider smaller units.

jors and tenants, along with reduced common areas and more modest center courts.

Ernest Hahn has been analyzing its traditional space allocation and finding that "overall widths can be reduced," reports John Gilchrist, Hahn's senior vp for development. He adds that centers can be planned on "a more human scale, instead of those large monolithic structures" that were built in the past.

Or, as one department store planner puts it, "We may have seen the last of of the big dinosaurs. Those large centers costs lots to build and they are expensive to maintain too. They are building smaller centers just like we are building smaller stores."

More specifically, Homart's Frank Comber reports that common area widths have been reduced as much as 25% and that some tenant spaces are down from 4,000 sq. ft. to 2,500 sq. ft. In addition, frontage space for tenants may be 6% to 7% smaller and center courts have been reduced too, says Comber, Homart's director of design and construction.

CBL & Associates' Charles Lebovitz: Downsizing can mean savings without sacrificing quality.

Finally, downsizing can generate capital—as well as operational—savings without sacrificing aesthetic standards. By reducing a mall's width, for example, a developer realizes a corresponding reduction in steel, brick and other materials expenses, says Charles B. Lebovitz, president and ceo of the Tennessee-based CBL & Associates Inc.

"We have also measured the impact of the smaller mall on customers," Lebovitz continues, "and we've had nothing but compliments so far. We are saving money without cutting back on quality."

Just as many malls and shopping centers have been downsizing, so an increasing number of smaller, even single-level department stores are now being built.

Moreover, department store planners are utilizing other methods to improve productivity, maintain aesthetics and still hold the line on costs. At Associated Dry Goods, for instance, architects have increased the ratio of selling to nonselling space to 90%, and also sharply reduced the overall size of their new stores.

According to Arthur F. O'Day, ADG's vp for real estate, Lord & Taylor units averaged 148,000 sq. ft. in the early 70's, while comparable stores in the 80's will house but 104,000 sq. ft. Furthermore, the company is dropping out of departments where the return on investment doesn't justify the upfront costs of materials or installation.

Observes O'Day: "Construction costs are so high that you can't really afford to have furniture departments. We are also eliminating our food facilities," another department where installation expenses are high, he adds.

Finally, ADG and others are considering more one-level stores, a move designed to save on such ver-

Expenses of current projects

	Urban			Nonurban		
Category	**Under 100,000 sq. ft. GLA**	**100,001-500,000 sq. ft. GLA**	**Over 500,000 sq. ft. GLA**	**Under 100,000 sq. ft. GLA**	**100,001-500,000 sq. ft. GLA**	**Over 500,000 sq. ft. GLA**
Predevelopment costs	$3.80	$1.40	$ 4.00	$0.68	$ 3.58	$ 1.00
Offsite allowances	1.00	0.95	2.00	0.18	0.87	2.00
Shell/frame	5.50	6.10	15.00	8.33	11.93	13.50
Plumbing	1.27	1.70	3.00	1.30	3.43	2.50
Flooring/floor covering	1.13	1.50	1.00	1.07	0.85	2.30
Ceiling	N.A.	0.60	0.98	0.68	0.85	1.00
Roofing & skylights	N.A.	1.60	1.82	1.43	1.80	2.01
Electrical & lighting	1.75	2.20	2.51	2.57	2.90	2.50
Parking lot lighting	0.20	0.20	1.03	0.50	0.70	1.10
Signs & graphics	0.28	0.33	0.21	0.43	0.47	0.20
Elevators/escalators	N.A.	1.10	1.43	N.A.	N.A.	0.99
Interior wall covering	0.89	0.80	0.67	0.68	1.25	1.01
Exterior wall	N.A.	1.50	2.89	3.60	4.70	3.50
HVAC equipment	2.50	2.00	2.26	2.84	3.18	3.00
Fire detection/security systems and hardware	0.95	1.10	1.55	0.90	0.06	1.30

N.A.—Sample too small to be statistically significant.
*Expressed in terms of expenditures per sq. ft. GLA.
Source: Lebhar-Friedman Research

tical costs as elevators, escalators, stairs and handrails.

The elimination of those items can mean big savings, observes Frank E. Wilson, Allied Stores' vp for construction and store planning. Wilson also says that his company is building smaller stores.

Meanwhile, mall developers like Homart have also been joining in the single-level movement, although not all builders have been so quick to follow. An exception to the shift away from multilevel centers is the downtown mall, where high land costs dictate that a project must go up rather than out.

Says one consultant: "On a 120,000 sq. ft. to 750,000 sq. ft. development, land costs exceed the vertical savings. No one is talking about going from three stories to four, but the multilevel mall does make sense downtown."

But whether companies opt to build single-level or high-rise structures, planners must still grapple with the escalating costs of fixturing and construction materials.

Fortunately, though, there is some leeway in trying to control this expense, whereas items like interest rates, labor and land are more closely a function of supply and demand.

For one thing, developers can eliminate or reduce costly extras, a "fewer frills" approach that may extend from skylights and waterfalls to landscaping, upscale signage and curbed islands. Or alternately, less expensive materials can be substituted for high-end ones: for example, dry wall and stucco instead of wood, stone or brick, and concrete parking areas over the traditional asphalt ones.

Still another solution is to retain these aesthetic touches while cutting down on back-of-the-house expenses. This latter approach is favored by one builder who says: "We aren't skimping on skylights or other amenities, but we are looking to the structural systems. They have a much greater bearing on costs and the public never sees them."

While developers and store planners can try to offset increases in hard costs, as well as contain expenses for soft costs and land, it's a race in which they're doing well just to keep up, they admit. As developer Hechinger puts it:

"All construction costs are extremely high now and any developer has to be looking at unnecessary items. We design a reasonably simple facility and we try to be sure our buildings are energy efficient. But it's hard to do more than that."

One architect was even more concise. "There's not really much we can do, other than try to hold down on fancy materials. We just have to bite the bullet, I guess." ■

—Craig Carter

The mountain comes to the mall

Sometimes, the shopping center comes to the mountain—and sometimes, the mountain comes to the shopping center. Or so it seems.

The shopping center in question is the Chicago Ridge Mall, a 900,000-sq.-ft. enclosed regional mall that is now being built by Ken Tucker & Associates, the Skokie, Ill.-based developer.

And the "mountain?" Well, that's the 300,000 cubic yards of dirt that had to be moved so that actual construction on the mall could get under way.

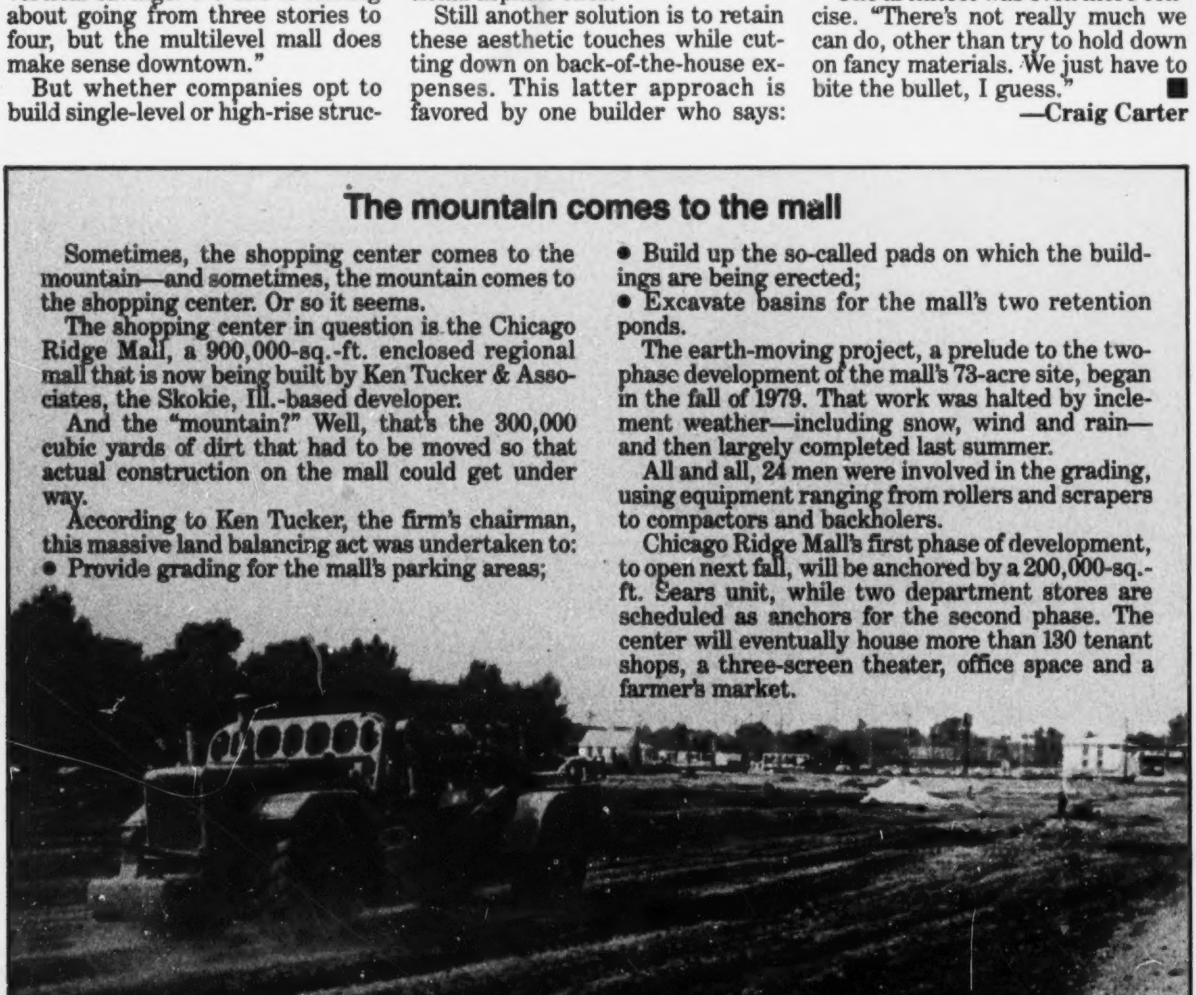
According to Ken Tucker, the firm's chairman, this massive land balancing act was undertaken to:

- Provide grading for the mall's parking areas;
- Build up the so-called pads on which the buildings are being erected;
- Excavate basins for the mall's two retention ponds.

The earth-moving project, a prelude to the two-phase development of the mall's 73-acre site, began in the fall of 1979. That work was halted by inclement weather—including snow, wind and rain—and then largely completed last summer.

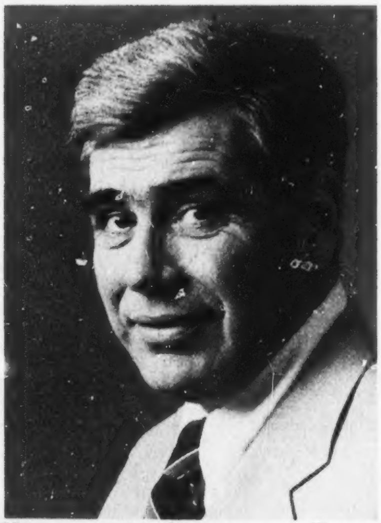
All and all, 24 men were involved in the grading, using equipment ranging from rollers and scrapers to compactors and backholers.

Chicago Ridge Mall's first phase of development, to open next fall, will be anchored by a 200,000-sq.-ft. Sears unit, while two department stores are scheduled as anchors for the second phase. The center will eventually house more than 130 tenant shops, a three-screen theater, office space and a farmer's market.



Heavy equipment moved more than 300,000 cubic yards of dirt to prepare Chicago Ridge Mall's site.

More than just maintenance or promotion costs now



Money spent to improve a mall's appearance is an investment, says Dick Guidera of Center Cos.

A national consulting firm that audits shopping center tenants in more than 300 U.S. malls recently found that 1,110 center tenants—44% of the 2,500 retailers it examined—had underreported their sales to the tune of $34 million. Approximately $1,356,000 of that sum was comprised of unpaid tenant fees.

The tenant audit is one of many approaches being taken by such companies as Leonard L. Farber Inc., Hahn Property Management Corp., and The Rouse Co. to boost the sales of their malls' retailers as new center construction slows and the onus to increase productivity shifts to existing malls.

"Operations can't be viewed solely as maintenance or promotions costs anymore," says Dick Guidera, senior vp-operations, The Center Cos., formerly Dayton Hudson Properties. "We have to find ways to boost tenants' cash [rent] flows."

According to R. G. Foster, founder of R. G. Foster Associates, the Gretna, La.-based company that uncovered the $34 million worth of unreported shopping center tenants' revenues, 42%-44% of a mall's retailers typically underreport their sales. The first time a Foster examiner audits mall tenants he schedules about 60 examinations. If the same center is audited a year later, the examiner will usually recheck 42% of those 60 stores or about 24 tenants.

The audit procedure, which costs $350 per exam plus a pro rata travel charge, consists of four basic steps:

- The mall owner sends tenants' rent schedules and lease agreements to Foster Associates for pre-audit study.
- The mall owner decides if he's going to act solely on the basis of Foster Associates' findings or whether he'll supplement that audit with his own study.
- Foster staffers "shop" the mall stores and note such data as how many registers the tenants have and whether or not their clerks are ringing up all their sales transactions.
- Appointments are made to audit tenants' books.

Foster says local retailers usually underreport their revenues by manipulating sales figures, while regional and national chains "don't fool with sales figures but interpret the terms of their leases to their advantages.

"When the economy tightens, the tendency to underreport sales increases," he says. "The retailer's attitude is: 'Why should I pay a percentage of my sales to a mall owner on an item I've hardly profited on myself?' "

Most tenants don't expect to get away with their sales evasions—they simply view the acts as ways to secure interest-free loans, which they'll pay back if and when they're caught.

Foster Associates is the only nationwide mall tenant audit service and while CPA's will conduct the audits too, they generally charge $800-$1,000 per exam, significantly more than the Louisiana company's $350 rate.

Foster claims his method is far less expensive to mall owners than an in-house audit would be, and while he audits the tenants in all of Hahn's, Rouse's and other major developers' malls, he says Edward J. DeBartolo Corp. still prefers to do its own audits. "It costs DeBartolo three times more per exam than what we charge," says Foster. "Of course he's a multimillionaire. But most mall owners get to the point where they'd rather farm out such

More than 40% of a mall's retailers underreport their sales, according to R. G. Foster, founder of Foster Associates (shown here with vp Clair Foster).

Rosedale shopping center, Roseville, Minn., has been "remerchandised," creating greater profits.

jobs than do them themselves."

While inaccurate sales reporting is the focus of the consulting firm's activity, other problems are often discovered during audits, among them, inadequate accounting systems, poor merchandising techniques, surly salespeople, internal theft and dirty shops.

Center Cos.' Guidera bristles when he speaks of poor shopping center maintenance, again stressing that money spent to improve a mall's cleanliness and esthetic appeal is not merely an expense but an investment to boost future productivity.

"An entrance/exit to a mall is the shopper's first and last impression of a center," he says. "If there's trash blowing in the doorway, if there's ripped up carpeting in the common area, if there are cigarette butts strewn around on the floor, that will be the customer's lasting impression of your mall."

Despite mall managers' realizations that they need to put more money into their operations for long-term paybacks, there's one operation they wish they were spending a lot less money on: energy. Energy is by far shopping centers' greatest operating cost—a cost that's killing a number of mall owners (*see related chart*). In fact, one mall management executive reports his malls' energy costs have increased 15%-20% this year.

"You can only save so much energy expense with discipline," emphasizes Guidera. "If you're really going to trim your energy spending you have to make investments in control systems. But eventually you get to the point when you must ask yourself how much you can invest in equipment before it starts to hurt your centers' cash flows."

Brask Enterprises, the Attleboro, Mass.-based compactor rental company, has developed a computerized waste management billing system to fill the needs of mall owners who are increasingly pressured to control their operating costs. Under the Brask system, waste management bills are assessed to mall tenants according to the amount of trash they generate, instead of assessing fees on a flat, per square foot basis (*see related story*).

With the money squeeze forcing shopping center operators to control costs while trying to invest the operating dollars that they do spend on activities that will enhance productivity, who is absorbing cost increases? In many cases, cost hikes are being passed on to mall tenants. In some instances, 4% tenant fees are doubling to an 8% rate.

One retailer with a stagnating business in Detroit's Southdale mall was horrified when the center's manager told him his rent was being increased. He was given a chance to keep his spot, if he remodeled, even though the mall owner had a more productive retailer willing to move into the space at a higher rent. The tenant didn't remodel; instead he pleaded his case in the local news media. His lease was terminated when it expired.

"Shopping centers are in a much better bargaining position now than they were years ago," concludes Guidera. "They stand to benefit from leases that are expiring now.

"Whereas 20 years ago developers had to make sweetheart deals with downtown retailers to attract them to their centers, now lots of retailers want to move from downtown locations to malls."

'We have to find ways to boost tenants' cash [rent] flow'

Since many shopping center owners expect to do much of their business in existing centers during the next few years, a number of mall operations executives are spending a good deal of time visiting their old centers and reviewing the performances of tenants whose leases are about to expire.

"We're aggressively remerchandising our malls," notes one shopping center executive. "We're moving stores around, terminating the leases of poor performers, and we're constantly asking ourselves what we can do to help tenants in our centers."

Last year 43 first-floor tenants in the Minneapolis-area Rosedale shopping center were added, relocated or terminated. These moves, plus an increase in the mall's promotional activities, have netted a group of mature, first-floor tenants who are averaging sales of $213 per square foot, compared with sales that averaged $150 per square foot a

Tenant audits uncover a wide variety of problems at malls: underreported sales, poor merchandising, internal theft and faulty accounting.

year ago—a 63.4% increase.

Of course, mall managers who are trying to increase tenant sales productivity are really aiming to increase the revenues they reap from their per cent-of-sales tenant fees.

In one such case, a national men's wear retailer had a 17,000-sq.-ft. store in a mall whose management felt it was a far bigger space than the tenant needed. Management sought to recapture one-third of the tenant's space and while the retailer rejected management's initial offer, the tenant returned to the management company a year later proposing a nearly identical deal.

Mall management accepted the tenant's offer and leased out one-third of the men's wear retailer's space (5,666 sq. ft.) to another tenant. The men's wear store remained in two-thirds of its original space for the same gross rent, thus its rent per square foot had increased. But the retailer's common area charge, insurance rates, electricity costs, labor expenses and HVAC bills all decreased, while his volume improved.

Moreover, the mall's operators were pleased since they were collecting more rent per square foot and a greater amount of money on their percentage share of sales, since the retailer's sales volume had increased.

Mall operators' increasing efforts to remerchandise tenants have brought the issue of management's responsibility to tenants to the forefront of many shopping center executives' minds.

At Southdale mall in Detroit, for instance, one jeweler was producing revenues of $75 per square foot in a prime location, while the center's average tenant sales productivity level was $158 per square foot. "The guy was 65 years old," says Guidera, "and had always been a good tenant in the sense that he paid his bills on time. We offered to renew his lease in a lesser location if he'd agree to remodel his outlet there. He turned down the offer and left.

"How much responsibility did we have to him? It's a tough question to answer. In this case I don't think we had more responsibility than we assumed."

—Valerie Seckler

Where operational dollars are spent*

	Urban			Nonurban		
Category	Under 100,000 sq. ft. GLA	100,001-500,000 sq. ft. GLA	Over 500,000 sq. ft. GLA	Under 100,000 sq. ft. GLA	100,001-500,000 sq. ft. GLA	Over 500,000 sq. ft. GLA
Promotion	$0.22	$0.15	$0.28	$0.17	$0.18	$0.21
Interior maintenance	0.24	0.14	0.37	0.05	0.11	0.44
Exterior maintenance	0.18	0.13	0.47	0.33	0.22	0.44
Security personnel & monitoring	0.25	0.20	0.21	0.06	0.03	0.14
Utilities	0.40	0.26	0.26	0.28	0.22	0.59

*Expressed in terms of dollars per sq. ft. of GLA.
Source: Lebhar-Friedman Research

Chain Store Age
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January 1981

Preview:
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and ICSC University

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1981 RETAILING OUTLOOK

PREPARE FOR THE 'NEW MATH'

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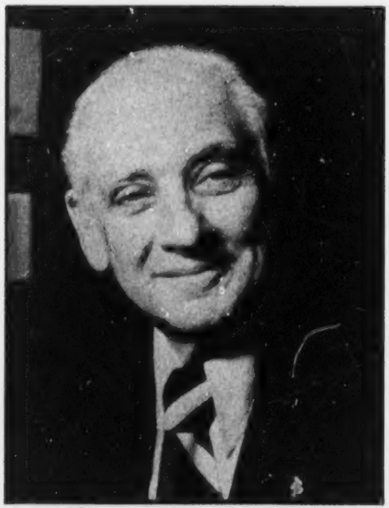

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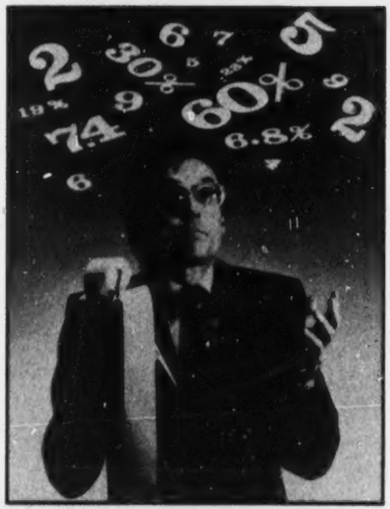

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The newsmagazine for retail operations

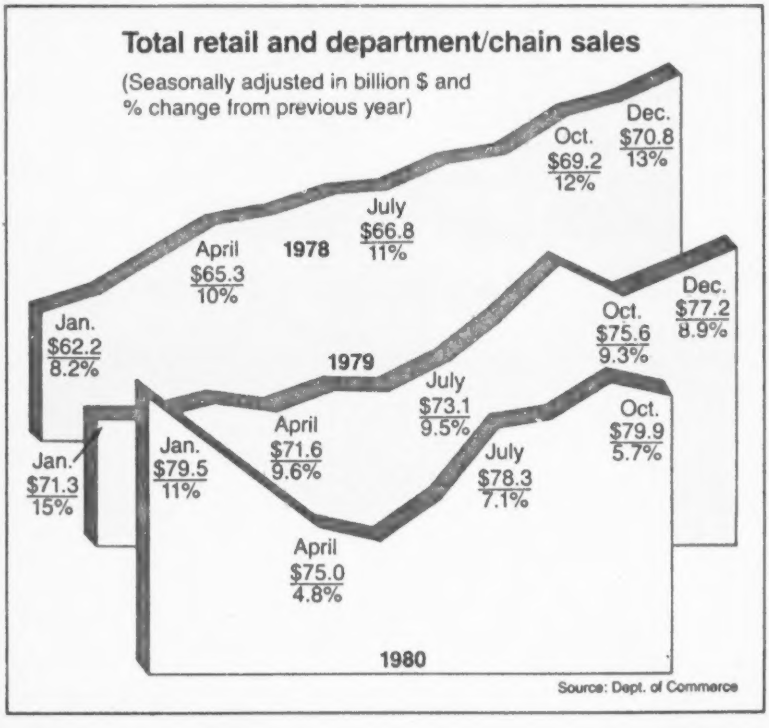
Prepare for the 'new math'

Whether or not the 1980 recession ended or has become the 1981 recession is a purely academic issue, to be debated by economists and Wall Street investors. The hard facts, though, are these: Because of the slowdown in the economy, retail sales will continue to be difficult to capture all through this year, with some segments, such as drug chains and higher-priced fashion-oriented general merchandise and apparel specialty stores, outpacing the field. Food prices continue to lead the way in consumer-product inflation but not to the point that they've increased gross margins of supermarket chains.

As one leading observer of the retail scene, Howard Davidowitz of the accounting firm of Ernst & Whinney notes, the decade of the 1980's has brought a whole "new mathematics" to retailing. By that, he means that the ratio of pretax profits to sales in department stores that traditionally ranged between 6% and 7%, and about 4% in discount stores, will be reduced by 50% within the next five to eight years.

Why this new math?

- The cost of construction is rising about 20% a year.
- New forms of retailing such as flea markets and vendor outlet malls are taking away business from traditional outlets *(see accompanying story).*
- Retail stores are spending more money for promotions to increase volume and to improve the ambience and fashion look of their stores.



Source: Dept. of Commerce

Despite lofty pronouncements by a number of economists at the beginning of the fourth fiscal quarter of 1980, most indicators point to a continuation (or a recurrence) of last year's recession.

Despite the changes promised by newly elected president Ronald Reagan and his Republican-controlled Senate, projections are for one of the most persistent periods of high unemployment of any business recovery since World War II.

The forecasts of a slow recovery are pinned, in some part, to the high rate of inflation, which is causing the Federal Reserve to tighten credit and push up interest rates, resulting in damage to sales of housing, autos and related industries. The *Blue Chip Economic Indicator,* a Sedona, Ariz., newsletter that polls 40 forecasters, predicts that average unemployment during 1981 will be 7.8% of the workforce, compared with 7.6% in October 1980.

Other signs aren't upbeat, either. The revised gross national product data showed that, before inflation adjustment, the total value of the nation's goods and services rose to a $2.587 trillion annual rate in the third quarter of 1980 from $2.521 trillion in the second quarter. Adjusted for inflation, however, the revised third quarter output total registered at an annual rate of $1.412 trillion, down about $300 million from an earlier estimate.

Corporate profits as reported by the Commerce Department rose 7.9% in the third quarter to a seasonally adjusted $137.2 billion annual rate, recovering about 40% of the second quarter's 19.6% drop to an adjusted $127.1 billion annual rate. But when third-quarter profits were adjusted for both taxes and inflation, they showed a decline of 2.8% to an adjusted $73.1 billion annual rate from the $75.2 billion level in the second quarter.

Donald Seibert of J. C. Penney: "We want to be at the price points where the action is."

The Commerce Department also reported that the increase in housing starts in October 1980 slowed to a weak 1.6% from a revised 1.8% in September. Michael Sumichrast, chief economist for the National Association for Home Builders, says the figures were misleading because they don't reflect how bad things really are. Builders estimated housing starts for the year just ended were about 1.22 million, down from 1.75 million in 1979 and about 2.0 million in both 1973 and 1977.

Howard Davidowitz: Retailers have spend money measuring productivity but not increasing it.

Jeffrey B. Edelman, first vp, Dean Witter Reynolds, says that until 1980, gross and real income, which were under pressure from inflation on a per capita basis, were propelled forward because of the growth of employment. Spending was aided by increases in consumer debt and a decrease in personal savings. In 1980, however, employment and consumer credit decreased and personal savings increased, adversely affecting buying.

"I don't expect to see strong sales recovery until there is further growth in employment and a sharp reduction in the rate of inflation," says Edelman. He adds, however, that retailing probably saw its worst period in the third quarter.

Says Walter F. Loeb, senior retailing analyst at Morgan Stanley & Co.: "Frankly, the consumer is at the crossroads. He feels threatened by the high cost of food, high cost of energy, high housing costs and high taxes. Everything points to continued high inflation, and he's discouraged. What's more, many people feel their employment is threat-

What's in store for retailing?

Flea markets, salvage store chains, vendor outlet malls and shopping at home via television are part of the wave of the retailing future for the 1980's.

This isn't conjecture. They've already begun to appear on the retailing scene in various manifestations, say two highly regarded observers of retailing: Howard Davidowitz, a partner and retailing consultant for the firm of Ernst & Whinney, and Walter F. Loeb, senior analyst for the retail trade at Morgan Stanley & Co.

Traditional discounters are abandoning the fastest-growing segment of the population—lower-income families—but upscaling their merchandise and stores, thus creating new marketing opportunities for the 1980's, says Davidowitz.

"Driving in from Kennedy [airport in New York] yesterday, I passed four flea markets," he says. Davidowitz, who is in a different city around the country practically every day of the business week, adds that there are also hundreds of vendor outlets around the United States.

Concerning flea markets, he says that most discounters are acting the way department stores did when discounters first made their appearance on the retailing scene several decades ago: "They're burying their heads in the sand. Everywhere I go around the country, I see flea markets. The discounters aren't talking about it."

Interviewed on one of his infrequent days in his Manhattan office, Davidowitz says: "I predict that discounters are going to wake up one morning and admit it's happening." Then, he adds, the discounters will take some action. He predicts that they will:

- Start to institutionalize and organize the flea markets;
- Open salvage stores as a reaction to the flea markets.

At the same time, manufacturers will continue to open their ened. The consumer's discretionary spending ability has eroded tremendously since the 1960's. As a matter of fact, a study that we have just concluded underscores our belief that the average consumer has little discretionary spending left."

Loeb says that the consumer is in a hostile environment but that he is trying to adjust to high energy costs, trying to live within his budget and cut down on nonessentials. He is less likely to buy frivolous items and instead will look for value both in high-priced quality merchandise and low-priced promotional merchandise.

Donald V. Seibert, chairman of J. C. Penney, doesn't disagree, but says that "if you analyze what's happening, you'll find the tonnage items are at the moderate and upper price points. We want to be at the price points where the action is."

The current fiscal fourth quarter ending this month should result in retail industry sales rising about 6%, bringing the full-year gain to about 5.75%, he says. After an anticipated inflation factor of 7%, says Seibert, real GAF (general, appliance and furniture) sales will be down about 1.25% from a year earlier.

Allied Stores' Thomas Macioce believes that first-quarter retail sales in 1981 will be flat.

He adds: "For 1981, we expect general merchandise inflation to move from 7.5% to 6.5% over the course of the year. We would look for real retail sales to show positive growth by the second quarter, with an anticipated full-year total gain of 8.5%, or 1.5% to 2% in real terms."

Thomas M. Macioce, president and ceo of Allied Stores, looks to the first-quarter retail sales of 1981 to be flat, compared with those of a year earlier (and those figures weren't too good). He sees a pickup in business in the second quarter with an increase in employment. One reason for the pickup, says Macioce, is that manufacturers should be making capital improvements with expected favorable tax-credit treatment from the Reagan Administration.

Barton Biggs, managing director and partner of Morgan Stanley, forecasts a modest gain in the fourth quarter just ending, with a negative first half year in 1981 in real growth and a sluggish recovery in the fourth quarter. He projects an upsurge of inflation in the world in the first half of 1981 with food leading the way, plus major increases in OPEC oil prices.

'You've got to merchandise your way out of trouble'

One area of retailing that most observers agree will continue to flourish this year is the drug store business. Chain drug retailing has a number of recession-resistant characteristics that make its prospects attractive on both a near- and long-term basis, says Terence J. McEvoy,

own off-price outlets, especially in malls catering to bargain hunters.

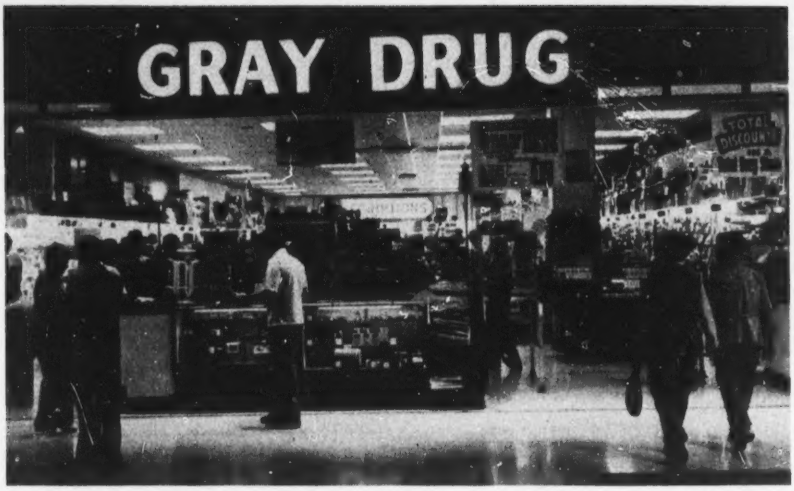
(For the unitiated, a flea market consists of various vendors who assemble in one place to sell their goods. Salvage stores, on the other hand, usually are owned by one person or company, and specialize in selling close-out merchandise. They have one thing in common: a lack of continuity in the merchandise.)

The irony of today's retailing, explains Davidowitz, is that the fastest growing segment of the population is the lower-income group, and this is the group from which discounters are trading up and away. As described by Davidowitz, this family consists of four persons and has an annual income of about $16,000. If the head of the household works in the auto industry, it's likely that the person is unemployed, with his unemployment insurance or union payments about to run out. The discounters that traditionally catered to this family are now upgrading their stores to a more affluent customer.

On the subject of electronic technology in consumer shopping, Morgan Stanley's Loeb comments that the emerging role of electronics in relation to shopping hasn't yet been fully recognized or resolved. How electronics will affect the physical shopping pattern of the future is an important new stage of development, he says.

"A retailer who can reach customers 24 hours a day is beating his competition in a very effective way," says Loeb. "Every retailer, in my opinion, must explore this new opportunity."

Recently, Federated Department Stores purchased a minority interest in Comp-U-Card of America, an electronic shop-at-home service. "We believe they are on the leading edge of a new development that may include cable television and direct-response cable," concludes Loeb.



Inflation-resistant characteristics make the drug store industry one of the few industries with a bright future ahead.

vp and analyst at Dean Witter Reynolds.

Industry profits should continue to rise during the coming quarters of economic uncertainty because of the low-cost replacement nature of the bulk of the product line, prescriptions, over-the-counter drugs, and health and beauty aids, he says. "Over the longer term, the larger chains with only about 30% of industry sales are expected to make further substantial inroads into the share held by the independents and the numerous small [less than 10-store] chains," he says.

Among general merchandise stores, probably the biggest earnings improvement and the worst surprise occurred in the discount industry in the third fiscal quarter. Wal-mart checked in with a 30% increase in earnings to $13.3 million, or 81 cents a share, in the fiscal third quarter ended Oct. 31, compared with $9.5 million, or 62 cents a share, a year earlier. Sales rose 34% to $401.8 million from $300.7 million a year earlier.

The big surprise, however, was K mart, the nation's largest discount chain and second-largest general merchandise chain, which reported a 60% drop in earnings in the third quarter ended Oct. 29 to $30.6 million, or 25 cents a share. This was as much as 34% below what some Wall Street analysts were forecasting.

K mart cited disappointing sales, reflecting the general economy's sluggishness and related pressures on its costs. Sales in the 13-week period rose 10% to $3.37 billion. "The continued softness in consumer demand and increased promotional activity resulted in gross profit margins for the 13-week period which were below our expectations," a K mart spokesman says, adding that selling, general and administrative expenses for the third quarter were 25% of sales, up from 23.1% a year earlier.

David Taylor, vp research, Donaldson, Lufkin & Jenrette, notes that the 10% sales increase was actually even less if the results of Furr's cafeterias, purchased earlier in the year were factored out.

Sears, Roebuck's 36% decline in profit for the fiscal third quarter ended Oct. 31 was not a surprise. The decline for the nation's largest retailer included a 48% drop in retail operating earnings and a pretax loss from Allstate's property-liability insurance operations.

'You've got to merchandise your way out of trouble'

Sears reported earnings of $135.5 million, or 43 cents a share, on revenues of $6.46 billion in the third quarter, compared with profit of $212.1 million, or 67 cents a share, on revenues of $6.33 billion a year earlier. Sears has been reorganizing its merchandising operations, including the early retirement of three of its top five retailing group executives.

The Sears merchandising group reported operating profits of $55 million for the quarter, down 48%, before the early-retirement allowance of $20 million. Retail revenue fell 1% to $4.35 billion.

J. C. Penney, the nation's third-largest general merchandise retailer, surprised analysts with only a 10% decline in third-quarter profits to $54 million, or 76 cents a share, on a 3.2% sales increase. The company had reported much larger decreases in the first two quarters of the current fiscal year.

The slightly improved sales gain coupled with strict expense control enabled Penney to narrow its earnings decline in the third quarter, contrasted with the 60% to 70% declines in the first two quarters, the company says.

Other third-quarter reports by department store chains include: Allied Stores, down 9.3%; Carter Hawley Hale, down 14%; Federated Department Stores, 1.7% decline in operating profits and May Department Stores, 4.1% decline. Dayton Hudson's third-quarter earnings from its retail operations were flat compared with a year earlier. Total earnings rose 14% because of a gain from discontinued real estate operations.

R. H. Macy and Associated Dry Goods both reported increased quarterly earnings, Macy's profit in its fiscal first quarter increased 2.5% on an 11% sales advance, and Associated posted a surprisingly strong 10% earnings boost in its third quarter on an 8% sales increase.

According to analysts, these latter two results reflect the growing belief that stores that cater to higher income individuals are more apt to hit improved profits than other types of retailers.

"We see a major segmentation among customers," says Morgan Stanley's Loeb. "We see an upper-income customer still spending quite freely because of multiple incomes of working spouses or investments. These customers continue to spend aggressively in specialty stores, and in trend-fashion stores such as Lord & Taylor, Bloomingdale's, Dayton's, Famous Barr, Neiman-Marcus and others. Despite a hostile economic environment, this consumer has the confidence of continued employment and income."

What about the buzzword of the 1980's: "productivity"? Forget it, says Howard Davidowitz of Ernst & Whinney. "Retailers have spent a lot of money to measure productivity, but not to increase productivity.

"The winners in the 1980's will be the merchants. You can be the best financial man in the business, keeping expenses in line, but unless you can conceptually organize your goods to get those sales, it isn't any good. You've got to merchandise your way out of trouble. Very few retailers have 'measured' themselves out of trouble. The ultimate answer is not building smaller stores." ■

—Stanley H. Slom

Remodels, new building methods popular in the face of uncertain times

Under what it felt was an increasingly oppressive climate for expansion, department store giant Carter Hawley Hale Stores Inc. decided to pull in the reins on new stores this year and instead to funnel more of its $150 million capital budget into modernizing units already in existence.

Much of the retailer's growth is being pushed back to 1982 and into the following year as mall developers' inability to finance their projects brings this year's shopping center construction to a screeching halt. "It's not anything due to our program or our desire to open the stores," explains Dean A. Beck, senior vp-real estate and construction for CHH. "Where ordinarily we open 8, 9, or 10 stores a year, we're back to 6 or 7 because of the financing of the developers."

Carter Hawley's situation is hardly unique. Whether they want to or not, scores of retail chains across the nation are being pressured into curtailing their 1981 construction programs, or into creating ways of getting around soaring costs and the slowdown in mall development. Their solutions include:

- Greater emphasis on remodels;
- More takeovers of individual stores and acquisitions of whole chains;
- Dramatic cutbacks in store size;
- Introduction of cheaper and faster construction methods;
- Creation of new store designs and shifting of the merchandise emphasis to appeal to a broader consumer base;
- Development of innovative retailing concepts.

In North Wilkesboro, N.C., Lowe's Companies Inc. plans to retrofit 50 stores *(see story, this issue)*, improving such things as traffic flow, product adjacencies, flooring, graphics and decor. These stores are part of a massive, $11 million program called Retail Sales Volume and Profit, or RSVP, begun in 1979 to alter nearly half of the company's 214 home centers.

Lowe's is planning a vigorous opening program this year. Where the chain built only four home centers in 1980, it intends to erect as many as 20 in '81, four of which will involve relocating thriving branches to more suitable sites within the same markets. "We've been growing at a rate of between 10% and 20% throughout a couple of decades, and we're a growth company," says Michael D. Brown, a senior vp. "But we built virtually no new stores during the past year because of the economic situation." However, that's about to change. He predicts, "We've got light at the end of the tunnel right now."

The big push is on remodels for Drug Fair Inc. in Alexandria, Va., where more than half of its 180 stores have recently been upgraded and, in some cases, given clothing departments. Last year, the company opened eight stores, running roughly 16,500 sq. ft. each, and plans to build the same number.

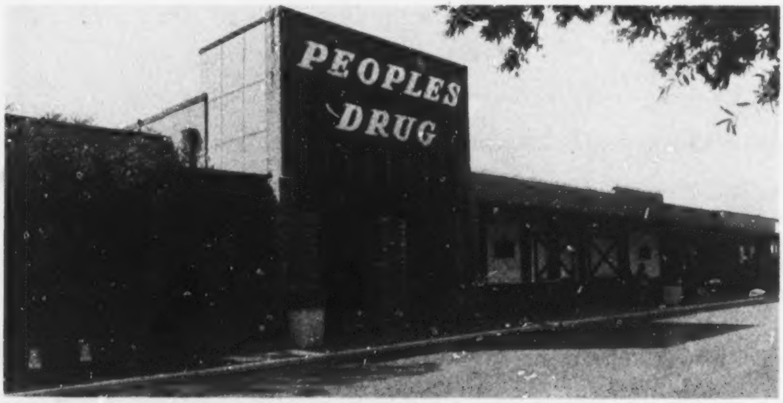
Much of Drug Fair's growth has been in strip centers, which until recently in the competitive Washington, D.C., market, have been cropping up at a healthy rate.

A spokesman for another area drug retailer says, however, those locations are no longer as plentiful as before.

Joseph A. Pollard, a vp at Peoples Drug Stores Inc., also based in Alexandria, observes: "There is nowhere near the number of new sites available now," a trend that shows "no signs of abatement." Pollard quickly adds that this slowdown in development hasn't stopped the expansion of aggressive companies that can still acquire a chain or independent or even pick up an empty site.

Moreover, other retailers are going so far as to shelve their expansion plans entirely. For example, Kuhn's-Big K Stores Corp., the 106-unit discounter headquartered in Nashville, anticipates no new stores this year, but it will proceed with plans to redo 24 existing branches. As part of a chainwide refixturing program scheduled for completion by 1983, this year's work includes the upgrading of 19 stores, complete overhaul of five and enlargement of three by 5,000 sq. ft.-10,000 sq. ft. each.

The problems in financing new



With fewer new sites available, Peoples Drug executive are looking at takeovers and empty sites as alternatives.

Drug Stores

	Units Built	Units Remodeled	Capital Expenditures (000$)
Jack Eckerd	88	N/A	44,000
Walgreen's	60	60	30,000*
Revco	100	75	18,600
Rite Aid	90	90	25,000

* *Chain Store Age Executive* estimate
N/A Not available
Source: Chain data and annual reports

Neiman-Marcus

Its wealthy market has insulated Neiman-Marcus from inflation and made it the main growth vehicle for parent Carter Hawley Hale.

Department Stores

	Units Built	Units Remodeled	Capital Expenditures (000$)
Associated Dry Goods*	4	N/A	50,000
Allied*	9	7	95,000
R. H. Macy	6	1	93,400
Carter Hawley Hale*	7	1	150,000
May*	5	N/A	155,000•

• *Chain Store Age Executive* estimate
* Department store divisions only
Source: Chain data and annual reports

malls won't mean a slump in everyone's expansion because many retailers will manage to grow by acquiring other chains. Besides opening up real estate possibilities in otherwise full shopping centers, adding on a diverse business enables many chains to operate a second store in malls where they already have one unit.

"We wanted to get into the higher-priced market and we wanted to get into a 'missy' operation," says Bertrand Briskin, vp-real estate at Brooks Fashion Stores Inc., which plans to increase its newly acquired T. Edwards chain from six stores to 100 over the next five years. This year's plans call for opening 8-10 of the upscale T. Edwards shops and approximately 40 traditional Brooks apparel outlets, compared with some 60 units the year before.

Of course, that pace could be slowed if rental costs keep booming because Brooks exclusively locates in malls. "The developers have gotten themselves into such a bind as far as construction costs and financing charges that the rents aren't attractive," Briskin points out. The situation is especially frustrating because Brooks has worked hard to keep its construction budget in line, at slightly below $20 a square foot, in the face of rising costs. Such cost-cutting measures include using smaller air-handling units, trimming its light levels and prefabricating nearly all of its fixtures.

For additional economies, the chain has dropped its maximum store size from 3,600 sq. ft. to 3,400 sq. ft., with its minimum holding steady at about 2,700 sq. ft. Likewise, Brooks' competitor, Miller-Wohl Co. Inc., is now building stores that are 5,500 sq. ft., down from 8,000 sq. ft. The retailer expects to open 30 of these smaller units this year, a slight increase over last year's 23, which will bring it to 299 units by 1982.

Also, like Brooks, Miller-Wohl officials worry about the increasing costs of doing business in malls, although they feel operating expenses such as CAM, utilities, merchants' associations and taxes are the sorest spots. "They used to be half of the cost of rent," recalls Philip Brous, president of Miller-Wohl. "But they were uncapped and could go up. Now they're rapidly approaching the fixed rent, and that's burdensome to small retailers."

Other companies are turning more frequently to new methods of construction that allow them to move fast should good sites suddenly arise. The Winter Haven, Fla.-based Scotty's Inc., for instance, has recently switched to all-metal buildings for its 32,600-sq.-ft. home centers and will continue using the technique for its eight units set to open this year. "The overall costs are about the same, but we can open 45-60 days quicker with metal," says Dennis W. Stults, a vp. Stores now take only five months to complete and cost about $1.1 million-$1.2 millon, which includes land improvements and inventory.

Along with this expansion, Scotty's will complete a three-year remodel program of 50 of its 80 stores in June, widening the aisles between gondolas from 3½ ft.-4 ft. to 4½ ft.-5 ft., and adding such things as fixtures that are 18 in. taller than before, at 6 ft., and in selected instances, new floors, lighting and ceilings. The price per store runs $5,000-$20,000, depending on the job's scope.

Another big trend this year will be forays into new store designs that will help chains create a distinct identity and attract a broader

the gap
LEVIS FOR GUYS, GALS & KIDS

The Gap's current look is too young to appeal to its older shoppers; the chain's undergoing a transformation.

base of consumers. For example, Grand Union Co., which operates nearly 800 supermarkets, is firmly establishing itself as something of a maverick in the industry by building stores that incorporate many high-tech elements. The typical 28,000-sq.-ft. unit is devoid of signs and posters that add visual clutter, and instead relies on central metal grills for directories and to advertise specials. The grills hold neatly lettered panels and food photographs that correspond to the aisles. Walls are covered with maple or white ceramic tiles with bright red grout, and the whole contemporary look is intended to convey a sense of cleanliness and openness.

> **Safeway plans to push the one-stop-shopping aspect of its stores**

However, company officials are concerned about their ability to continue financing the expansion of these stores. "At the present time, we foresee a relatively strong program for next year," says Raymond Ayers, vp-real estate. But he adds, "what happens thereafter, I just don't know yet." With the cost of borrowing money so high that it "makes the economics of a project very difficult to support," Ayers is looking into different ways of financing the program. Some possibilities: internal funding and industrial revenue bonds.

Brooks Fashion Stores acquisition of T. Edwards shops has enabled the chain to get into a higher-priced market.

Meanwhile, the key to survival in tough times for some retailers is to change formats to appeal to a wider consumer base. The Record Bar in Durham, N.C., has begun adapting to shoppers 30-40 years old, instead of 20-30, by replacing its trendy, psychedelic look with oak storefronts, thick carpets, quarry tile and parquet floors. This subdued decor is being added to 10 stores this year as part of a five-year remodel program to extend the average life of a store to 10 years and to keep in tune with the times.

General Merchandise

	Units Built	Units Remodeled	Capital Expenditures (000$)
Sears	34	N/A	288,000*
J. C. Penney	49	N/A	300,000
Montgomery Ward	15	6	60,000
T.G. & Y.	47	7	17,000

* Capital expenditures for Sears' new and enlarged store facilities, 1980-82
N/A Not available
Source: Chain data and annual reports

Specialty

	Units Built	Units Remodeled	Capital Expenditures (000$)
Radio Shack	225	150	40,000
Kay's Corp.	34	15-20	6,000
House of Fabric	20-25	25-30	4,500*
Hanover	30-36	8	3,000
B. Dalton	70	10	N/A

N/A Not available
* *Chain Store Age Executive* estimate
Source: Chain data and annual reports

Aging gracefully seems to be the solution for The Gap Stores Inc., as well, which recently completed an extensive study to learn the best way to reformat its stores so that they'll appeal to an older and wider audience. Youngish bold graphics, bright colors and huge globe lights will give way to earth tones and lots of wood in the 50-60 units The Gap hopes to open in 1981. This new appearance is also expected to give the chain access to a different caliber of shopping center. In upscale malls that cater to an affluent audience, "the surroundings are such that we don't want to be out of step," comments Stephen B. Kaplan, vp-real estate.

Out of the 50-60 new units The Gap has on the boards, 8-10 will be blown up in size to as much as 7,000 sq. ft.-15,000 sq. ft., vs. 4,000 sq. ft.-4,200 sq. ft., to house new merchandise lines and deeper assortments in freestanding and strip center situations. The giant units serve two purposes, Kaplan explains: They enable the retailer to broaden its base more than it could in a smaller store, and they offer an

LUMBER · PLUMBING · HARDWARE · ELECTRICAL · PAINT · FLOOR COVERING · CARPETS
SALES ROOM

The Scotty's chain has switched to all-metal construction, enabling it to open units up to two months quicker.

alternative to the slowdown in mall construction with new kinds of sites. As far as regionals, The Gap is going back and examining sites in existing malls that it passed over earlier. With these strategies in place for 1981, "the availability [of malls] still exceeds our needs," Kaplan says.

Apparel merchants aren't the only ones looking into other sites. The nearly 90-unit Perry Drug Stores Inc. in Pontiac, Mich., is now considering freestanding buildings—instead of strip centers—for some of its 10 stores anticipated this year. Additionally, given the stabilization of Perry's primary trade area, Detroit, and the city's subsequent crunch in new development, company officials expect much of the action to be in existing sites this year.

Still other retailers are getting around the building downturn by pushing new concepts in retailing that fill untapped niches. Safeway Stores Inc., for one, continues to enlarge its supermarkets every year, most recently, from 38,830 sq. ft. last year to 39,890 sq. ft. this year, to house amenities such as bakeries, delis, pharmacies, natural food centers, cheese shops and nonfood departments, all of which spell one-stop shopping convenience. Safeway will open 140 of these units this year compared with 155 in 1980, and it will shut an undetermined number of its less profitable stores.

A void of retailers offering traditional clothes for women is the main explanation given for the formation last year of Thimbles, a three-store operation owned by BATUS Inc. of Louisville, parent of Saks Fifth Avenue and Gimbels among others. The chain will grow to nine units this year, and will keep on expanding thereafter until it reaches a hefty 200 stores by 1990. The reason for such unbridled growth: Thimbles goes after "the traditional and updated woman who currently shops in department stores," according to Robert Suslow, president of the BATUS retail division. "This approach is in contrast to the current concept of the apparel specialty store industry, which is es-

Home Centers

	Units Built	Units Remodeled	Capital Expenditures (000$)
84 Lumber	70	N/A	35,000
Scotty's	8	16	N/A
Hechinger's	N/A	N/A	N/A
Wickes	10	15-20	15,000

N/A Not available
Source: Chain data and annual reports

CELEBRATE The New Lowe's

Lowe's ambitious retrofit plan, part of an $11 million program, aims, in part, to improve traffic flow, decor and flooring.

sentially directed to trendy, young or contemporary customers."

The 100-store Toys "R" Us Inc. has managed to grow despite a flat birthrate by offering a broader selection, deeper inventory and lower prices than its competitors, a strategy that it will continue this year. "In the 70's we were faced with a diminishing growth of demographics—kids," explains Charles Lazarus, the chain's president. "We expanded our demographics by offering a broader mix like books for children, furniture and more sophisticated items like electronic, video and radio-controlled toys."

Toys "R" Us's expansion policy calls for a new market a year. This year will be no exception, with plans to break into Philadelphia with several of its 16-20 units slated for construction. The stores are next to regional malls for easy access, and they average 43,000 sq. ft. Some 25,000 sq. ft. is sell space, which is roughly five times greater than the footage allotted to toys by most discounters, Lazarus claims.

Jewelry chains such as J. B. Robinson are going ahead with expansion

Supermarkets

	Units Built	Units Remodeled	Capital Expenditures (000$)
Albertson's†	30	21	120,000
Publix	10	12	N/A
A&P	N/A	60*	90,000*
Kroger†	110	54	250,000*
Winn Dixie†	65	80	87,000

* *Chain Store Age Executive* estimate
† Supermarkets only
N/A Not available
Source: Chain data and annual reports

Fortunately, there are those retailers who aren't concerned about expansion prospects this year. Jewelry chains, for example, whose customers tend to be more affluent, are pursuing healthy growth patterns. J. B. Robinson Jewelers, with 63 stores in eight states, plans an accelerated expansion program. With the financial backing of its wealthy new parent, W. R. Grace & Co., Robinson has recently acquired the Hatfield Jewelers chain in Flint, Mich., and is negotiating with several other retailers for similar deals.

Washington, D.C., where Robinson has eight stores, offers some of the best site possibilities, "because of its growth and stability in income," says Larry J. B. Robinson, the chain's president, who adds, "Increasing interest in jewelry and high-taste levels among working women helps to strengthen the market."

This immunity from inflation by the rich is also why Carter Hawley Hale will expand its exclusive Neiman-Marcus division more than any other, with three units in '81. The corporation is in the midst of a program to upgrade the merchandise mix and price points in its other department store divisions.

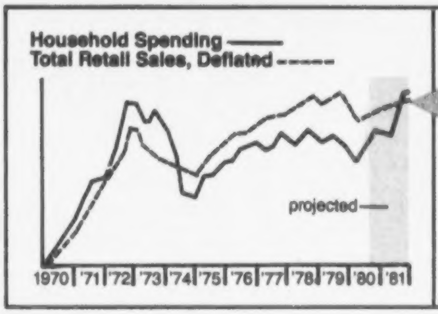
Still others, concentrated in markets where the economic and construction downturns are having a minimal impact on expansion, are bullish on their 1981 programs. One such example is the Los Angeles-based Hartfield-Zodys Inc., which opened four stores last year and plans five in 1981, making it a 45-unit concern. Nine extensive remodels were completed last year, and five or six are slated for this year. Likewise, Smitty's Stores, whose discount branches are all clustered around Phoenix, will add on three stores this year, compared with only two last year.

Finally, there are those going full-steam ahead with the anticipation of an economic recovery sometime in the next few years. G. C. Murphy Co., for instance, has six stores on this year's agenda, and as many as 8-10 for the year after, compared with only four openings in 1980. This drive follows the extensive pruning of 68 money-losing units in 1978 as part of the company's attempt to "refine markets and close fringe" units, says a Murphy official.

For all their fears and uncertainties about 1981, however, many retailers predict even tougher going next year. "People haven't made all their commitments yet for 1982," explains Frank E. Wilson, vp-construction and planning for Allied Stores Corp., which built nine department stores and six specialty units last year, and which will open eight of the larger branches this year. "Projects for 1981 are already committed and building, so any effect of [a construction stoppage] is really more likely to involve 1982." ■

—Lynne Bershad Mignoli

Retail sales slide ending this quarter



Total Retail

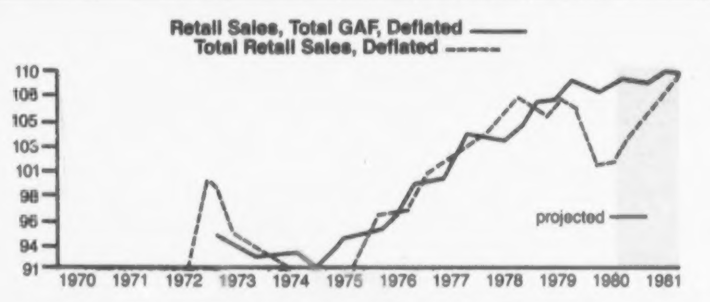
	Sales Change By Quarter								12-Month % Change		
	'80 1Q %	'80 2Q %	'80 3Q %	'80** 4Q %	'81** 1Q %	'81** 2Q %	'81** 3Q %	'81** 4Q %	'79 %	'80** %	'81** %
Sales include Inflation	9.0	4.3	5.5	4.3	4.8	10.6	8.2	10.3	11.0	6.0	8.0
Real sales (Deflated)*	−1.5	−5.6	−4.5	−4.3	−2.6	3.8	2.9	4.9	1.0	−4.0	2.2

*Base = Sept. 1980 Sales
**Projected

Through the 1970s, GAF (general merchandise, apparel, furniture/appliance store) sales outperformed the total retail sector. Apparel, in fact, is by far, the strongest sector in the GAF grouping. As the leading indicators in the L/F econocycle index point up, general merchandise retailing has underperformed since 1978 and together with furniture & appliances has been falling sharply since 1979.

The L/F econocycle projection is for continued growth of GAF—although on a slower track. The bottom has been hit and passed and through '81, from a low level of activity, a fairly strong recovery in this large retail sector is projected. (General merchandise sales, on the other hand, are expected to plateau next year in real sales terms).

Food stores have come along stronger than eating & drinking (food service, fast food, restaurants) units since '79. Last year, while supermarket sales rose strongly, food service showed a significant downturn. Supermarket sales are projected to move along a plateau until mid-'81 and then resume upward growth, according to L/F Econocycle projections. After an initial decline, a minor recovery for eating establishments suggests little more than a plateau through the end of 1981.



Sales/Include Inflation

1980	Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1Q	9.0	10.5	8.6	7.6	9.3	8.8	5.8	8.2
2Q	4.3	10.0	7.9	− 8.9	1.4	4.8	6.5	4.5
3Q	5.5	11.7	7.8	−12.4	0.1	4.6	6.1	3.9
4Q	4.3	9.5	2.5	−12.4	0.9	2.1	7.1	2.9
1981								
1Q	4.8	9.3	2.1	− 6.3	0.2	4.1	6.2	3.7
2Q	10.6	9.6	5.8	8.7	7.1	7.7	8.2	7.7
3Q	8.2	8.0	8.0	4.9	5.8	6.0	7.6	6.4
4Q	10.3	9.0	9.6	2.2	9.7	6.2	8.4	7.4
% chance 12 mo.								
1979	11.0	11.0	9.0	14.0	14.0	9.0	10.0	10.0
1980*	6.0	10.0	6.5	− 7.0	3.0	5.0	6.0	4.0
1981*	8.0	9.0	6.0	2.0	6.0	6.0	7.5	6.0

Real Sales (Deflated)*

1980	Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1Q	− 1.5	− 0.7	−1.4	− 1.3	3.6	1.0	1.6	1.9
2Q	− 5.6	2.6	−1.3	−17.4	− 4.2	1.9	− 2.2	− 1.7
3Q	− 4.5	4.3	−1.6	−21.0	− 6.8	0.6	− 3.1	− 3.1
4Q**	− 4.3	2.9	5.0	−20.6	− 5.2	2.0	− 4.6	− 3.3
1981								
1Q**	− 2.6	2.6	−5.0	−14.3	− 5.1	2.0	− 1.9	− 1.7
2Q**	3.8	1.0	−2.3	0.3	1.2	3.6	1.8	2.1
3Q**	2.9	0.4	−0.1	− 3.4	0.3	3.7	0.6	1.2
4Q**	4.9	1.6	0.8	− 5.8	3.7	4.2	− 0.1	1.6
% chance 12 mos.								
1979	1.0	3.0	−1.0	6.0	8.0	6.0	3.0	4.0
1980**	− 4.0	2.0	−2.0	−15.0	−3.0	1.0	− 2.0	− 1.5
1981**	2.2	1.5	−1.5	− 6.0	—	3.0	—	2.0

*Base = Sept. 1980 Sales **Projected

About Econocycle

The source for the L/F Econocycle index (charts above, figures facing) is the Applied Economic Research Unit, located in The Hague, Holland. This unit does consulting and research programs for Government and major corporations on three continents today. Its forecasting methods are based on the Econocycle System, a computerized technique designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The graph (above) represents the trend cycle (after a deflator has been applied for inflation). All data has been seasonally adjusted and smoothed—and is updated each month. The source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

Each month, the L/F Econocycle projects trends based on previous sales cycles. Since outside events (interest rate, money supply, credit) can modify the cyclical path and momentum of sales-trends at any point in time, the L/F Econocycle constantly monitors and updates new data and processes these up-to-date trend-charts each month.

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with Shopping Center Age
The newsmagazine for retail operations

February 1981

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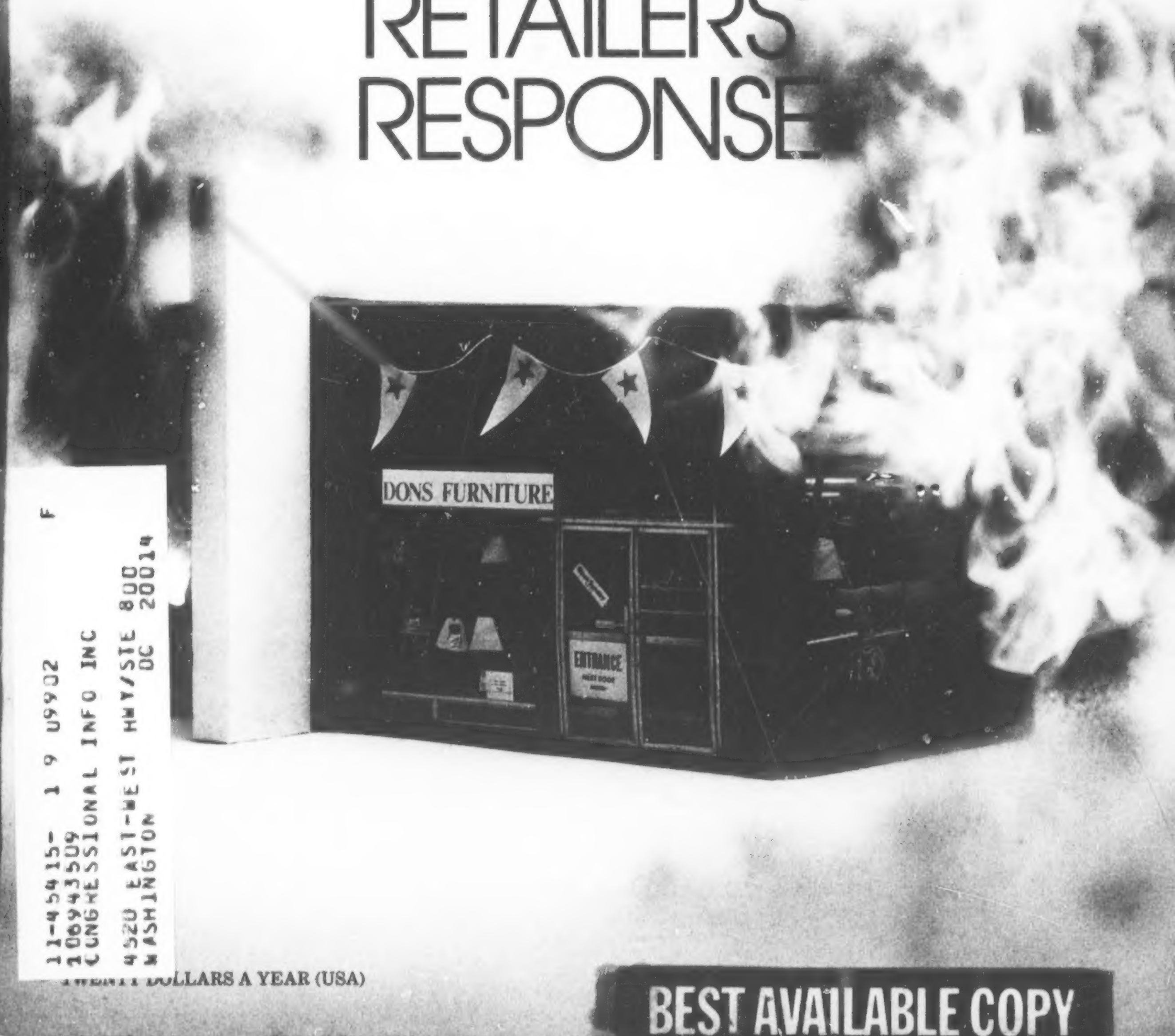
FIRES SPARK RETAILERS' RESPONSE



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Accounting News
& Views
William U. Westerfield

Inflation is hard to measure

You almost have to be a magician to interpret retailers' financial results these days. It wasn't always so. Not too long ago, year-to-year comparisons made some sense because a dollar of sales or income in a given year was pretty much comparable to previous periods. Not anymore. But how can we measure the dramatic lack of comparability brought on by inflation?

Two ways have been mandated by the F.A.S.B. Retailers tried the first way last year—measurement in constant dollars—and some vocal critics found it misleading. Their thesis: The mandated Consumer Price Index used did not reflect retail price changes.

This year-end retailers will use not only last year's constant-dollar approach but now must add the current-cost method. (The constant-dollar method focuses on the effects of general price changes using the CPI whereas the current-cost method isolates the effects of specific price changes by valuing existing assets at their current replacement cost.)

When retailers' constant-dollar results were published last year, we analyzed them with the results indicated in the chart included here.

We concluded that retailers' real profits adjusted for inflation:

- Show "illusory growth by any measure";
- Suggest that dividend expectations may not match realities of capital formation needed to modernize and expand;
- Demonstrate that retailers must have realistic tax relief from inflation if they are to provide additional employment and achieve greater productivity.

Inflation's impact on retailers' 1979 results:	**Historical cost*** (as reported in a normal manner, %)	**Constant dollars* (%)**
Income from continuing operations	100	38
Return on net assets	17	5
Effective income tax rate	44	74
Dividend payout ratio	31	268
Inflation's impact on 1975-79 growth statistics:		
Sales	81	34
Dividends	109	54
Year-end stock prices	52	7

**Represents unweighted averages for 37 retailers.*

Critics of the F.A.S.B.'s inflation reporting standard should ponder Peter Drucker's statement in his recent book *Managing in Turbulent Times:* "Not to adjust to inflation is slothful and irresponsible."

With current inflation equaling or exceeding 1979 and with retailers' results generally disappointing even in historical dollars, we can expect 1980's inflation-adjusted results on a constant-dollar basis to be disappointing indeed. We expect current-cost-adjusted results to be as dismal. *(For more about new retailing ratios, see story, this issue.)*

* * *

William U. Westerfield is chairman of Retailing Industry Services, Price Waterhouse & Co., 153 E. 53rd St., New York, N.Y. 10022.

Security directors are salary vulnerable

The average income for a security director is about $27,200 according to a survey and profile of directors taken by the Bureau of Marketing Research, an affiliate of *Security World* magazine.

"And with inflation eating away at what the moderate salary can do, another finding in the survey is not surprising," says the magazine, explaining that "more than 75% of the respondents said they would leave their jobs for a position offering more money." ■

Shop late, buy cheap

Cliffhanging Christmas retail business is getting to be an annual event, creating an ulcer atmosphere for retailers.

As has been well documented, business in the Christmas just past didn't blossom until Dec. 20, or the Saturday before the holiday. The problem, however, is that most retailers—still reluctant to adjust to the last-minute shopping habits formed during the latter part of the 1970's—panicked and took some drastic markdowns two and three weeks before Dec. 25.

The results will be disclosed soon in the fourth-quarter financial statements: higher volume, bolstered in part by inflation and more stores, but lower earnings, affected by the early markdowns. ■

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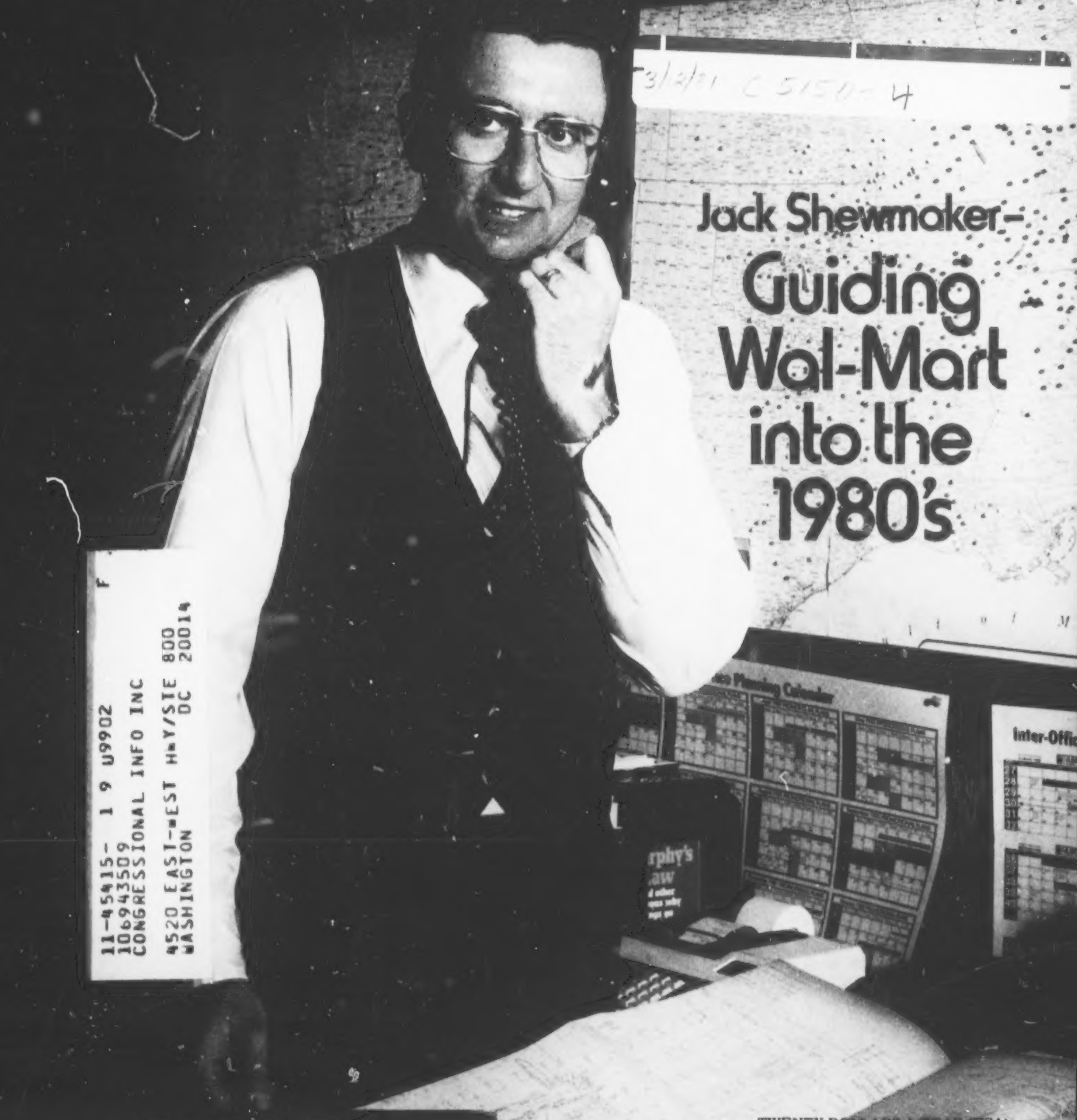
The newsmagazine for retail operations
March 1981

CS '81
Preview



Jack Shewmaker–
Guiding Wal-Mart into the 1980's

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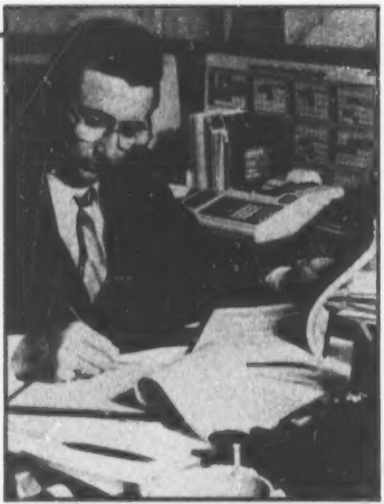

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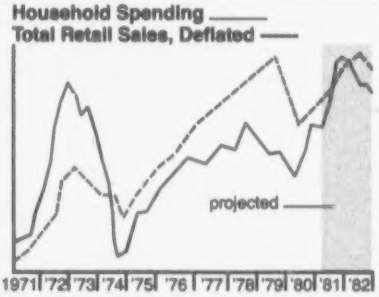
Retail rebound just around the corner



Total Retail

Sales Change By Quarter / **12-Month % Change**

	'80 1Q %	'80 2Q %	'80 3Q %	'80** 4Q %	'81** 1Q %	'81** 2Q %	'81** 3Q %	'81** 4Q %	'79 %	'80 %	'81** %
Sales include Inflation	8.9	– 1.6	2.9	6.2	5.7	13.3	9.4	9.5	12.0	4.0	9.0
Real sales (Deflated)*	–1.7	–11.0	–7.0	–3.8	–2.0	6.3	3.9	5.3	2.0	–6.0	3.0

*Base = Nov. 1980 Sales
**Projected

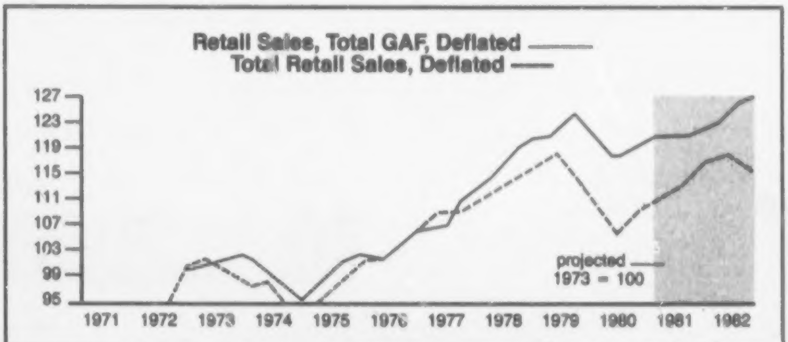
Two months ago, the L/F Econocycle composite on household spending (chart below) began to trace a grassroots recovery in retail sales. (Through the 70's, the index has, in fact, accurately led and "mirrored" the major twists and turns in retail sales performance.)

This month, despite a recent barrage of interest rate impacts, retail sales are continuing to show a strong "kick" and appear to be heading for a sharp improvement in the second quarter.

Household spending as a key index, the trendlines show, is already moving at a hotter pace than retail sales. As in 1972-73, household spending is projected to drive above sales levels on the index scale for the first time since mid-1974. (But the trend to watch is later in the year when the curve may start nosing downward again.

The L/F Econocycle projection is for a steep gain of 6% or more in the second period, followed by a solid upward "lift" through the balance of the year. Looking at how specific segments of retailing will perform, these trends stand out:

- Apparel/specialty stores are projected for steep gains again—picking up momentum from the second quarter on.
- GAF (general merchandise, furniture/appliance and apparel) seem to be heading for a 2% second quarter gain, followed by a 3% jump in the third quarter.
- Drug stores are the strongest of all retail segments with gains forecast in every quarter of 1981.



**Sales/Include Inflation
% Change By Quarter**

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	8.9	10.5	8.6	7.6	12.0	9.3	5.7	8.9	8.2
	2Q	– 1.6	10.0	7.9	– 8.9	10.9	1.4	6.5	4.8	4.5
	3Q	2.9	11.6	7.4	– 9.2	10.1	– 0.4	4.9	4.4	3.4
	4Q	6.2	10.3	4.8	– 2.7	13.3	5.2	6.4	5.2	5.5
1981	1Q**	5.7	10.0	3.9	1.2	9.8	6.1	5.7	5.5	5.7
	2Q**	13.3	9.9	7.4	14.3	10.5	13.6	7.8	8.7	9.5
	3Q**	9.4	8.4	10.0	5.4	10.8	11.8	8.3	7.1	8.4
	4Q**	9.5	8.5	8.8	– 2.9	8.2	10.7	8.5	4.4	6.6
% change 12 mos.	1979	12.0	11.0	9.0	14.0	9.0	14.0	9.0	9.0	10.0
	1980	4.0	10.0	7.0	– 3.0	11.0	3.0	6.0	6.0	5.0
	1981**	9.0	9.0	7.0	4.0	10.0	10.0	7.0	6.0	7.0

**Real Sales (Deflated)*
% Change By Quarter**

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	– 1.7	5.3	– 1.6	– 2.1	3.9	3.8	1.0	1.7	2.0
	2Q	–11.0	4.6	– 1.4	–17.8	1.8	– 4.4	2.3	–2.3	–1.8
	3Q	7.0	2.3	– 1.7	–18.3	0.4	– 7.1	0.4	–3.3	–3.3
	4Q	– 3.8	– 0.8	– 3.9	–12.0	3.3	– 1.3	1.5	–2.6	–1.4
1981	1Q**	– 2.0	– 2.7	– 3.9	– 6.4	1.4	– 0.2	1.5	–1.2	–0.4
	2Q**	6.3	– 3.1	– 1.1	6.8	4.1	7.1	2.6	2.2	3.3
	3Q**	3.9	– 0.8	1.2	– 1.9	6.2	5.8	3.1	1.0	2.5
	4Q**	5.3	2.4	0.9	– 9.9	5.1	4.6	3.9	–1.7	0.9
% change 12 mos.	1979	2.0	1.0	– 2.0	5.0	2.0	8.0	6.0	3.0	4.0
	1980	– 6.0	3.0	– 2.0	–12.0	2.0	– 2.0	1.0	– 2.0	– 1.0
	1981**	3.0	– 1.0	– 1.0	– 3.0	4.0	4.0	3.0	—	1.0

*Base = Nov. 1980 Sales **Projected

About Econocycle

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The news magazine for retail management

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BONWIT'S BACK

To launch new Manhattan flagship

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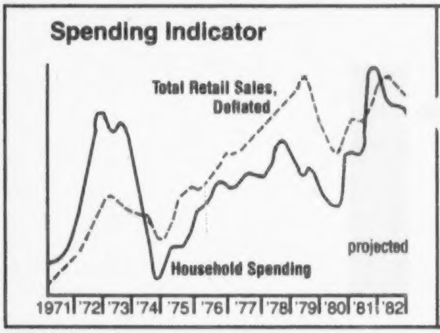
Drug sales pace retail by wide margin



Total Retail

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	'80 1Q %	'80 2Q %	'80 3Q %	'80* 4Q %	'81* 1Q %	'81* 2Q %	'81* 3Q %	'81* 4Q %	'79 %	'80 %	'81* %
Sales include inflation	8.9	− 1.6	2.9	7.0	7.3	14.6	10.4	9.9	12.0	4.0	10.0
Real sales (Deflated)*	−1.7	−11.0	−6.9	−3.1	−1.1	6.7	4.3	5.0	2.0	−6.0	3.0

Base = Dec. 1980 Sales
*Projected

Last month, the Econocycle composite (*below*) indicated that drug retailing would continue to set the pace for all retail sectors this year.

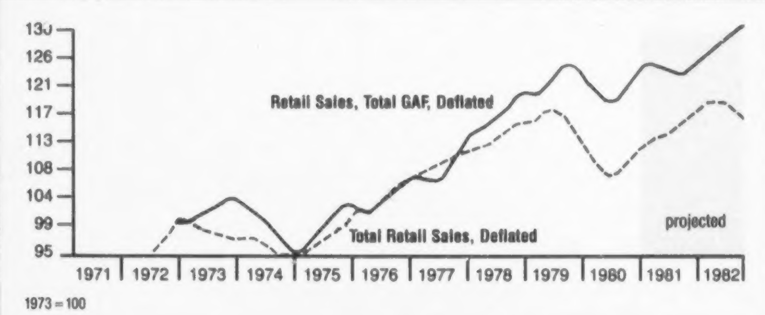
With final December figures in place, the forecast model confirms that drug stores will outdistance even the high-flying specialty-apparel retailers over the next three quarters, with a solid 4% real gain for the year (or 11%, including inflation).

General merchandise/apparel and furniture-appliance retailers are also expected to roll up impressive gains as the year progresses.

And total retail sales are set for a continuing rise through the next two quarters (*chart above*) with real gains averaging about 5%—heading for an overall increase of 3% for 1981.

The L/F Econocycle projection hints at a possible decline or at least an easing of these gains in the fourth quarter, however. Based on the L/F composite, which has historically been a volatile indicator of major upward or downward shifts in sales direction, this trend should be closely watched by all retail sectors as the year matures.

- From all present indicators, food sales (supermarkets, groceries) won't match the general strength in this year's retail market, but will recover enough to end the year down only marginally (−1%).
- This compares with a sharp pickup in eating out (food service, restaurants) which will pick up vitality in the second quarter, on its way to a 2% increase for the calendar year.



Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	8.9	10.5	8.6	7.6	12.0	9.3	5.7	8.9	8.2
	2Q	− 1.6	10.0	7.9	− 8.9	10.9	1.4	6.5	4.8	4.5
	3Q	2.9	11.6	7.4	− 9.2	10.1	− 0.4	4.9	4.4	3.4
	4Q	7.0	10.4	6.6	− 2.2	14.5	4.9	6.7	5.7	5.7
1981	1Q*	7.3	9.4	7.6	3.0	11.4	7.5	7.0	8.1	7.7
	2Q*	14.6	9.2	10.8	15.0	11.9	14.7	8.1	10.6	10.9
	3Q*	10.4	9.7	13.3	5.8	12.0	13.3	8.6	8.9	9.7
	4Q*	9.9	7.8	10.5	− 3.1	8.4	12.4	8.5	5.7	7.6
% change 12 mos.	1979	12.0	11.0	9.0	14.0	9.0	14.0	9.0	9.0	10.0
	1980	4.0	10.0	7.0	− 3.0	11.0	3.0	6.0	6.0	5.0
	1981*	10.0	8.0	10.0	3.0	10.0	11.0	8.0	8.0	7.0

Real Sales (Deflated)*
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	− 1.7	5.3	− 1.5	− 2.1	3.9	3.8	1.0	1.7	2.0
	2Q	−11.0	4.6	− 1.4	−17.8	1.8	− 4.4	2.3	−2.4	−1.8
	3Q	− 6.9	2.3	− 1.7	−18.3	0.4	− 7.1	0.4	−3.3	−3.3
	4Q	− 3.1	− 0.8	− 2.3	−11.2	4.3	− 1.3	1.8	−2.1	−1.1
1981	1Q*	− 1.1	− 3.1	− 0.3	− 4.1	2.5	− 2.4	3.3	1.5	2.1
	2Q*	6.7	− 3.7	2.4	8.7	4.8	9.5	3.5	4.3	5.2
	3Q*	4.3	− 1.4	4.7	− 0.5	6.7	8.5	4.1	2.9	4.3
	4Q*	5.0	1.8	2.9	− 9.4	4.7	7.1	4.7	−0.5	2.2
% change 12 mos.	1979	2.0	1.0	− 2.0	5.0	2.0	8.0	6.0	3.0	4.0
	1980	− 6.0	3.0	− 2.0	−12.0	2.0	− 2.0	1.0	− 2.0	− 1.0
	1981*	3.0	− 1.0	2.0	− 2.0	4.0	6.0	4.0	2.0	2.0

Base = Dec. 1980 Sales *Projected

About Econocycle

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Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

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with Shopping Center Age

The newsmagazine for retail operations

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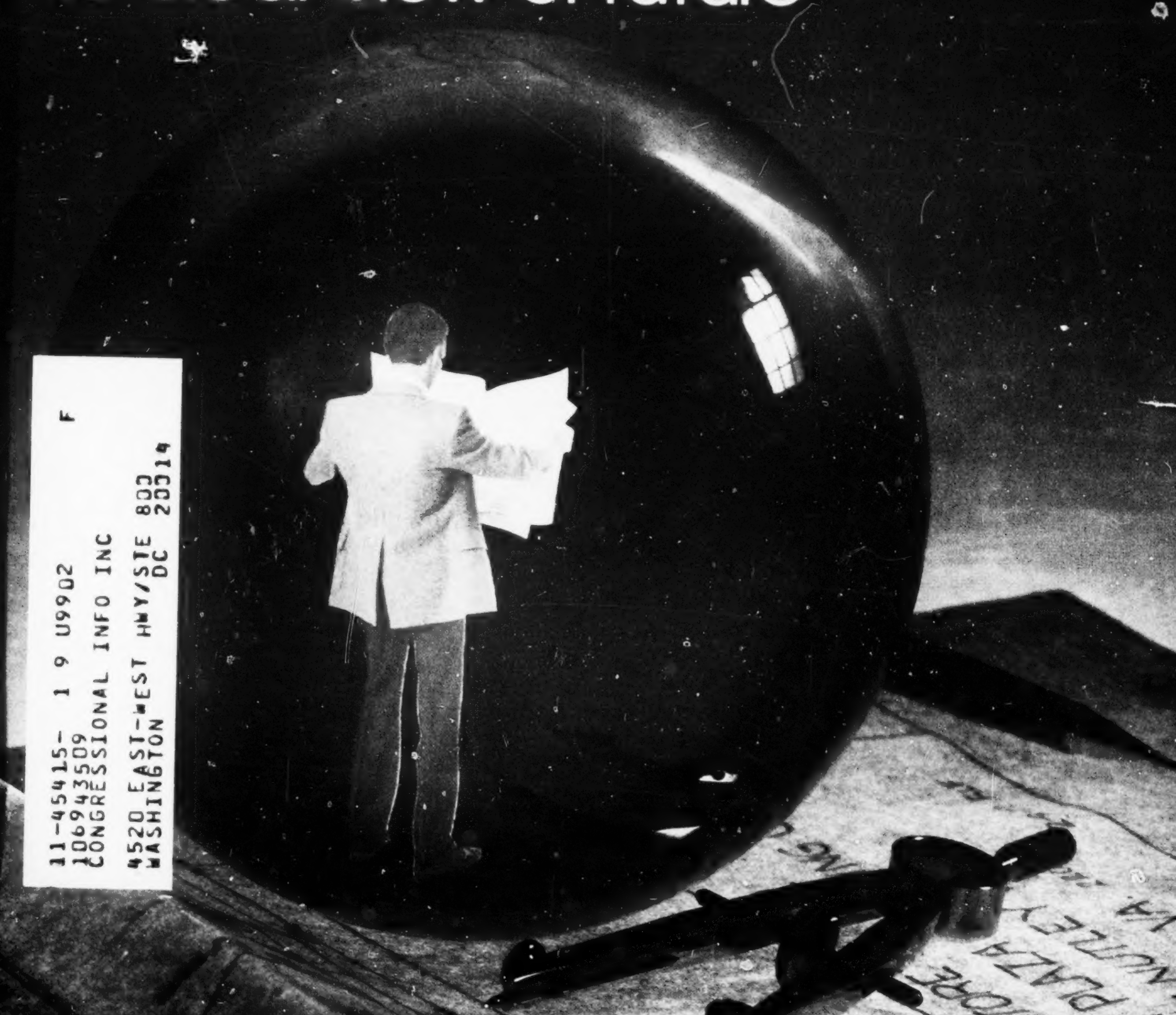
No clear view of future



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Outlook: Help is on the way

In a letter to stockholders in which they reported a 10% earnings increase in the 4th quarter but a dismal 31.4% decline for the fiscal year, Leonard J. Black, chairman, and Alvin M. Glosser, president, Glosser Bros., wrote:

Relief is ahead, but don't expect it until latter part of year

"Until these last few years we could face the beginning of each year with confidence that if we could get sales up, earnings would go up proportionately—or slightly more. Now it's like Alice in Wonderland. You have to keep running faster just to stay in the same place."

Battered by continuing inflation and high interest rates, managements of most department and discount stores, supermarkets, drug chains, specialty shops and home centers anticipate lackluster sales and profits into the 3rd quarter of 1981 and hope that another surge in consumer spending in the 4th quarter will bail them out as it did in 1980. But as in Alice In Wonderland, how much progress do they have to make before moving ahead?

Black and Glosser continue:

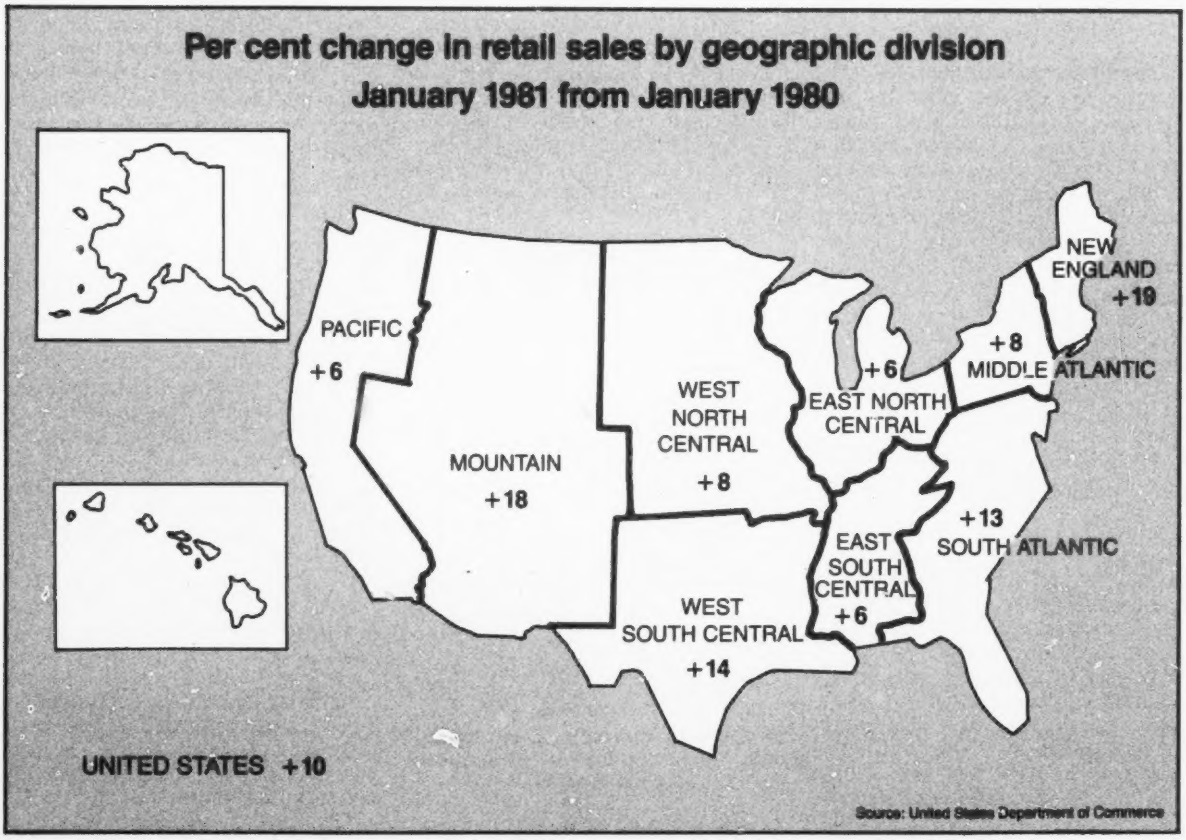
"We are hoping for an economic upturn sometime after July. It is hoped that the new Administration will succeed in lowering corporate tax rates. This, of course, will help. But the big unknown is whether President Reagan can succeed in reducing the inflation rate. This should increase discretionary income for our customers, and hold down the viciously increasing operating costs we've been up against in recent years."

What retailers, economists and Wall Street analysts who specialize in retailing seem to be saying is that help is on the way, but don't expect it until the latter part of this year.

From an investment viewpoint, the retail group already has received the blessing of most Wall Street analysts. Says Merrill Lynch Pierce Fenner & Smith retailing group, consisting of Jeffrey M. Feiner, Fran R. Blechman, Robert I. Roth and George Quint:

"We continue to expect the retail group to moderately outperform the overall Standard & Poor index over the intermediate term. That expectation is based on the generally low price-earnings ratios and relatively attractive yields of retail equities as well as on the belief that they will begin to discount an improving retail climate forecast for the second half of 1981."

Edward F. Gibbons, chairman and ceo of F. W. Woolworth, spells out what he thinks the results of President Reagan's tax package will be ("My guess is that Congress is going to slow this down a bit"), inflation ("The defense effort may stimulate inflation") and how any tax cuts will benefit retailers ("Shoe sales declined sharply in 1979-80 . . . demand must be pent up and will be stimulated by a tax cut . . . kitchenware, small appliances have been postponed too long and should also benefit"). Major household articles, on the other, aren't expected to benefit unless purchases involve refurbishing. "Major purchases for new housing will continue to be postponed," says Gibbons.


Per cent change in retail sales by geographic division
January 1981 from January 1980

Source: United States Department of Commerce

Total retail sales of all retail stores in the United States for January 1981 are estimated at $85.7 billion.

The economy shows signs of improving—"the fever has broken," says Bernard Fauber of K mart.

The big bugaboos continue to be interest rates, inflation and tax policy. As petroleum-product prices continue to soar, so does inflation. The Labor Department recently reported that consumer prices rose a seasonally adjusted 1% in February, or at a 12% annual rate before compounding. About two-thirds of this increase stemmed from raising energy-product prices.

Although interest rates currently are moving down, experts think they will bottom out this summer, following last year's pattern, and then rise again.

Inflation is a two-edged sword, helping some causes, and hurting others. The inflation factor for goods sold in general merchandise stores, for instance, was 6.5% in 1980, considerably below the 12% general economy inflation affecting the operations of those stores, resulting in a margin squeeze.

On the other hand, accelerating food prices are expected to help boost sales and profits in the supermarket business. Commenting on Safeway Stores, the large food chain in the United States, Terence J. McEvoy, vp-research, Dean Witter Reynolds, says:

"The anticipated surge in food prices should be quickly passed through to the consumer, as the competitive situation has quieted substantially."

The Merrill Lynch Group projects sales and earnings for most retailers to continue to be adversely affected by sluggish trends in consumer spending as continued high inflation and interest rates as well as increases in social security taxes will keep consumer spending to a lackluster pace in the second and third quarters of this year.

However, with sales increasing at an anticipated double-digit rate, and with the final period of 1981 and trends in gross margins, selling, general and administrative expenses, LIFO and interest costs expected to be favorable year-to-year, profits in the retail industry should show excellent gains in the all-important Christmas quarter.

Jeffrey B. Edelman, first vp, Dean Witter Reynolds, notes that while the economy will show a slowing on a month-to-month basis, retailers will show a year-to-year improvement because last year they got "clobbered." But with lower inventories and lower overhead expenses, they should realize higher profits. He projects roughly a 10% earnings increase in 1981 and 1980 and 15% on top of that in 1982.

His firm has been recommending the retailing group as stock purchases, says Edelman, and he expects the group to continue to outperform the overall market.

After underperforming the market in January and February of 1980, the retail store composite posted a strong relative price performance from March through July, with the latter month the strongest. In general, retail equities underperformed the market from August through November, outperformed in December and January 1981, but slightly underperformed in February.

William A. Andres, of Dayton Hudson: "The company will continue pattern of rapid expansion."

Discussing expectations for 1981, ceos are—what else?—cautiously optimistic. Says Donald V. Seibert, chairman of J. C. Penney: "It is expected that consumers will continue to follow cautious spending patterns throughout the first half of 1981. For the remainder of the year, however, a combination of rising consumer income and some improvement in the rate of inflation should strengthen consumer spending."

William A. Andres, chairman of Dayton Hudson, notes that the company will continue the rapid expansion of its retail business—especially B. Dalton Bookseller, Mervyn's and Target, and that Dayton Hudson will continue to use external financing.

Bernard M. Fauber, chairman of K mart, says that while 1980 fell somewhat short of expectations (earnings plunged 27%), many signs of improvement are appearing. The nation's new economic direction has triggered a changed attitude, says Fauber, adding that the inflationary wage-price spiral is slowing down and, in a few cases, actually declining. While the economic health of the United States hasn't yet been restored, the "fever has broken," he says, adding, "The clear signs of an improving business climate [in 1981] are most encouraging."

'You have to keep running faster just to stay in the same place'

Edward R. Telling, chairman, president and ceo of Sears Roebuck, says that barring unforeseen economic events, "We look for improved performance in the year ahead. The merchandise group [of Sears] has a leaner organization and more aggressive program. Expenses are being tightly controlled at all levels."

Commenting on Sears, Walter Loeb, analyst for Morgan, Stanley & Co., says with its reorganized management, Sears is doing something right. Loeb raised his current-year earnings estimate to $2.80 a share from $2.50 and projects next year's at $3.10. For the year ended Jan. 31, Sears reported net of $1.92 a share.

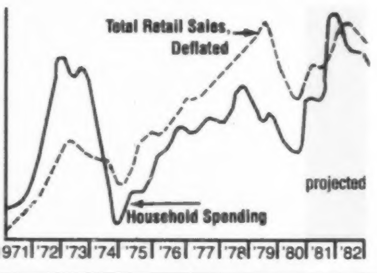
"There's strong evidence of the evolution of merchandising strategy at Sears," Loeb says, "and more effective controls."

James J. Crocker, chairman, Super Valu Stores, says that his company has a $173 million capital budget for the fiscal year ending February 1982. "Despite the uncertain economy, we feel the efficient use of capital is the best way to continue the company's excellent growth rate and profitability," says Crocker.

—Stanley H. Slom

'Real' June sales to climb 4%-plus

Spending Indicator



Total Retail

	Sales Change By Quarter								12-Month % Change		
	'80 1Q %	'80 2Q %	'80 3Q %	'80* 4Q %	'81* 1Q %	'81* 2Q %	'81* 3Q %	'81* 4Q %	'79 %	'80 %	'81* %
Sales include inflation	9.4	5.0	5.9	7.3	9.3	12.7	10.5	10.1	11.0	7.0	10.0
Real sales (Deflated)*	−1.2	−5.0	−4.2	−2.8	0.3	5.1	4.6	5.5	1.0	−3.0	4.0

Base = Feb. 1981 sales
*Projected

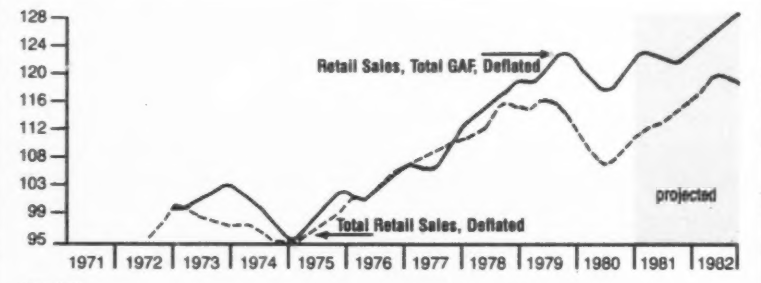
A new round of revised Government figures now indicates that overall retail sales this February rose slightly faster than originally reported—up 1.1% over recently adjusted 1980 volume figures.

Last year, the Census Bureau reports, total retail sales hit $956.7 billion, 7% higher than 1979. With inflation factored in at a 10% rate, "real" sales were off 3% for the year-to-year just past, the Government study shows.

As a result of these new adjustments, the L/F Econocycle model forecasts a slight improvement for retail sales over the next three quarters *(chart below)*. Instead of a 1.1% decline in first period sales, the composite now shows a marginal 0.3% gain. More important, the balance of the year is being propped up for an average gain of about 5%.

The L/F Econocycle projection now pegs the second-quarter gain for total retailing at 5% *(chart above)*. Gains this month are expected to top 6%, then settle into a plus-4% groove in June. The outlook: plus-5% monthly gains through the third and fourth quarters.

- The primary catalysts in second-quarter retail activity will be drug stores (aiming at a 6% gain), apparel/specialties (plus 7%) and furniture/appliance outlets (plus 6%).
- Fast-food and restaurant operators should post gains of 4% in the second quarter.
- In the volatile home building area, DIY retailing (home centers) is expected to show stronger quarter-to-quarter gains, compared to a poor opening three months.



1973 = 100

**Sales/Include Inflation
% Change By Quarter**

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	− 8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	− 9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	− 1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q*	9.3	10.1	11.5	6.8	12.0	10.0	8.9	6.8	8.0
	2Q*	12.7	9.5	13.2	18.0	11.8	15.0	10.1	9.6	10.9
	3Q*	10.5	7.9	14.9	10.2	11.9	12.1	11.2	8.0	9.6
	4Q*	10.1	7.8	12.7	0.2	8.6	11.0	11.2	4.8	7.5
% change 12 mos.	1979	11.0	12.0	12.0	12.0	11.0	14.0	6.0	9.0	10.0
	1980	7.0	10.0	8.0	− 3.0	12.0	4.0	4.0	6.0	5.0
	1981*	10.0	8.0	13.0	8.0	11.0	11.0	10.0	6.0	9.0

**Real Sales (Deflated)*
% Change By Quarter**

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	− 1.2	5.8	− 0.0	− 2.5	3.8	4.9	− 1.4	1.9	1.8
	2Q	− 5.0	4.9	− 0.1	−17.4	2.0	− 3.4	0.5	− 2.4	− 2.0
	3Q	− 4.2	2.0	− 0.9	−18.5	0.5	− 5.8	− 0.2	− 3.4	− 3.3
	4Q	− 2.8	− 0.6	− 1.8	−10.6	3.9	− 1.1	1.5	− 2.0	− 1.1
1981	1Q	0.3	− 1.7	2.3	− 1.1	2.6	4.5	5.6	0.5	2.4
	2Q*	5.1	− 2.7	4.2	11.8	4.3	9.7	6.2	3.7	5.5
	3Q*	4.6	− 0.4	6.0	4.2	6.1	6.6	7.5	2.4	4.4
	4Q*	5.5	2.7	4.6	− 6.0	4.3	4.3	8.1	− 1.0	2.1
% change 12 mos.	1979	1.0	2.0	2.0	4.0	3.0	8.0	6.0	3.0	4.0
	1980*	− 3.0	3.0	− 1.0	−12.0	2.0	− 2.0	1.0	− 2.0	− 1.0
	1981*	4.0	− 1.0	4.0	− 2.0	4.0	6.0	4.0	1.0	3.0

Base = Feb. 1981 sales *Projected

About Econocycle

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Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

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CEO Jack Gwartz

Shoppers Drug Mart: Poised for U.S. expansion

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Computer conversations catching on

A clerk in a national food manufacturer's warehouse prepares an invoice for an order just shipped to Super Valu Stores and feeds the information into his computer.

He then dials the supermarket chain's computer on the telephone and gets its computer on the line. The two computers begin to talk to each other. In the same language.

At this point, Super Valu's invoice payment process is initiated. Invoices are put into the accounts payable system, and are also stored on microfiche for future reference.

The computer-to-computer system, still in its infancy, is on the doorstep of spreading to the entire grocery industry. Thus far, it has been restricted to a number of large retail organizations in and out of the grocery field, such as Super Valu Stores, Sears, J. C. Penney and K mart, which have their own hookups with computers of manufacturers and/or brokers and distributors.

The foundation of the computer-to-computer concept: to replace present manual and paper-based information flows with a computer-to-computer transmission of information.

The problem is that all elements of a particular industry must have computers that speak the same language, despite the types of hardware used. At this point, the grocery industry seems to be in the vanguard of this movement, with six associations banding together under a single task force called the Joint Industry Committee, which is establishing the Universal Communications Systems.

At Super Valu, the system transmits invoices and credit memos to suppliers

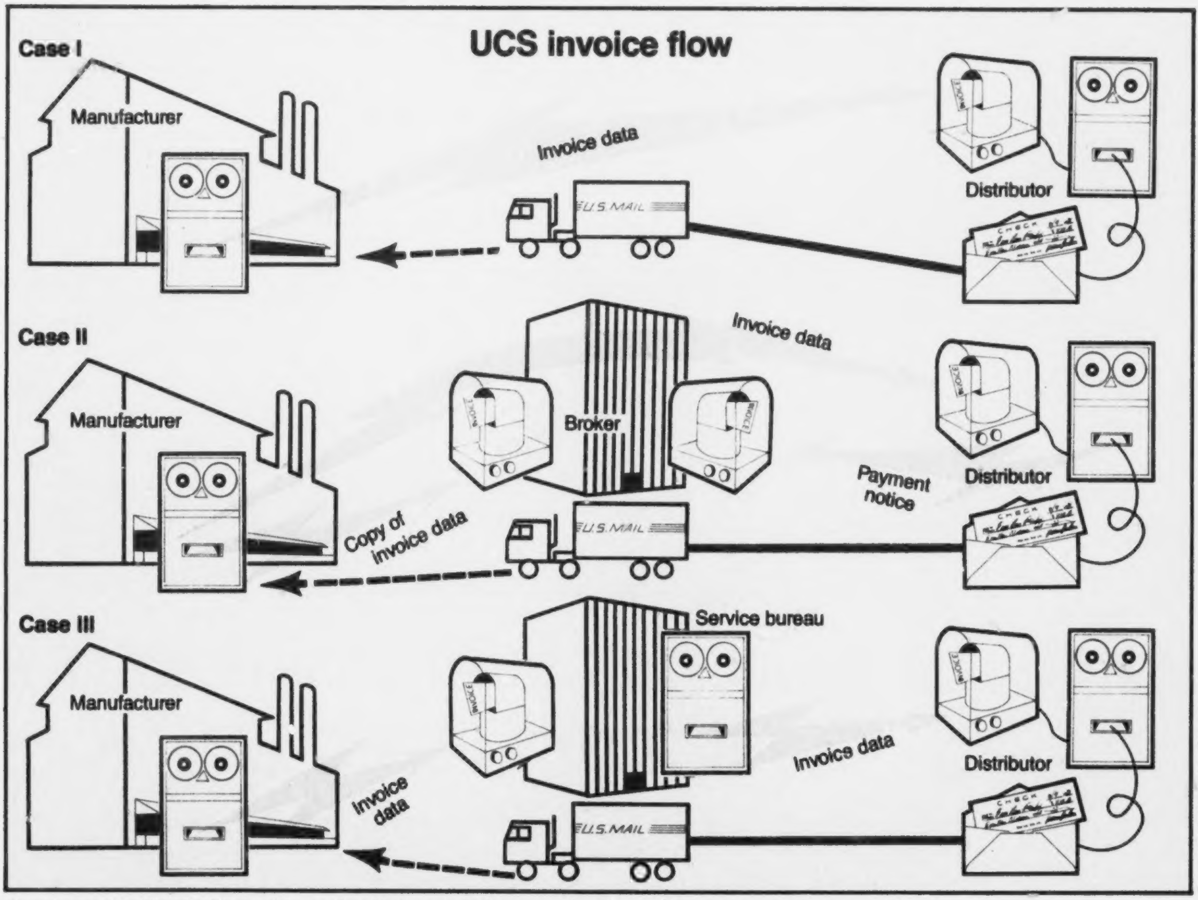
The National Retail Merchants Association also has a retail systems task force working on purchase orders, invoices, transmission and ticketing information, and capability to transfer sales and on-hand information.

Other retail segments such as drug stores, bookstores and electrical distributors are also working on programs.

Savings of an estimated $300 million a year to the grocery industry are anticipated once a Universal Communications System is tested and completed under the aegis of the Joint Industry Committee.

UCS benefits include:

- Reduced need for manual production, review, handling and keying.
- Reduced pricing errors.
- Reduced clerical errors.
- Elimination of telephone purchase orders and mailing of sales invoices.
- Reduced costs and inconveniences resulting from errors in such transcriptions.
- Reduced invoice adjustments.
- Shortened lead time and accelerated transmission of product availability, thus reducing inventory requirements.
- Improved internal systems for such operations as credit checks, automated matching and product routing decisions.



Source: Joint Industry Committee

A schematic illustration of how the Universal Communications Systems network functions.

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- Enhanced effectiveness of sales representatives' calls and productivity.

The six grocery industry associations working on UCS include: Cooperative Food Distributors of America, Food Marketing Institute of America, Grocery Manufacturers of America, National-American Wholesale Grocers' Association, National Association of Retail Grocers of the United States and National Food Brokers Association.

To manage the establishment of UCS, the Joint Industry Committee hired Touche Ross & Co., the accounting firm, to serve as project manager. The committee currently is in the middle of a four-stage testing program of UCS, involving

- Project organization, which was completed in November 1980.
- Design of detail specification, which recently was completed.
- Pilot implementation, slated for completion by December 1981.
- Industrywide implementation, which will occur after December.

Howard A. Edels, senior consultant in the management consulting department of Touche Ross' Newark, N.J., office, offers a simplified example of how UCS will work. One company's computer will call another company's computer and electronically place a purchase order or an invoice in a telecommunications "mailbox." Periodically, this "mailbox" will be checked and the message, whether it is a purchase order or an invoice, will be read by the addressee.

UCS benefits include reduced pricing errors and improved sales calls

This new procedure will considerably improve productivity by reducing the number of manual clerical tasks. In addition, the system is expected to provide better management information and lead to productivity gains in other areas, such as inventory management and sales.

Currently, says Edels, a single purchase order must be manually keyed into computers two or three times as it flows from a distributor to a manufacturer, or from a distributor to a broker to a manufacturer.

Under UCS, the keying activity will be reduced as the purchase order is entered by the distributor and transmitted electronically to the broker and manufacturer.

Currently, the invoice also must be keyed into more than one computer as it flows from the manufacturer to the broker and distributor. Under UCS, the invoice is entered by the manufacturer and transmitted electronically to the broker and distributor.

The computer-to-computer flow handles many of the adjustments previously handled by phone or mail to correct a discrepancy.

Computer-to-computer also includes such transactions as:

- Promotion announcements.
- New items.
- Price changes.
- Payment shipping and receiving advice.

Arthur W. Woelfle, president and coo, Kraft Inc., and co-chairperson of the Joint Industry Committee with Leonard Lieberman, senior vp and chief administrative and financial officer of Supermarkets General, is quick to reassure the grocery industry that certain people or companies won't be adversely affected by UCS.

For instance, says Woelfle, the relationship among manufacturers, food brokers, distributors and retailers won't be affected. Also, it won't change payment patterns or terms and won't require individual

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companies to completely revamp their data processing system in order to be able to use UCS.

The group also assures manufacturer's representatives that the system will not eliminate their jobs. Rather, the efficient flow of information will enable them to spend more time doing their job of selling.

At Super Valu Stores, a computer-to-computer system is transmitting invoices and credit memos to 10 suppliers, including General Mills, Continental Coordinators, Pillsbury, Green Giant, Ralston Purina, Kimberly Clark, Best Foods and Fairmont Foods.

Touche Ross's Allen: Not enough overlap between industries to justify UCS standardization.

Also, invoices for 10 companies are transmitted to Super Valu through Continental Coordinators. These include Jeno's, Morton Foods, Banquet Foods and Rich's.

According to George Klima, Super Valu's director of accounting systems, his company has about 200 computer-to-computer invoice transmissions a day, and is planning to expand transmissions to include purchase orders, price changes and promotion announcements.

Among some of the benefits, says Klima: Super Valu can reduce its safety stock—that inventory it has on hand in case of disruption of deliveries—from five days to one day, a considerable savings. Also, there's a saving if the system eliminates a clerk doing the invoices.

The big drawback, he says, is that Super Valu is ahead of the rest of the industry and is waiting for it to catch up. "Our biggest problem has been the fact that we have been waiting for the industry to do something. It is very difficult to go on your own. It is difficult for Super Valu to rationalize its continued individual effort while computer-to-computer standards such as UCS are under development."

Because computer-to-computer communication requires large numbers of participants to take advantage of the benefits, Super Valu has focused its attention on the UCS project, he says, adding: "We have been standing still since the initial thrust with the 20 vendors. We have not tried to recruit any more, although we have had offers. We just didn't take them."

In the general merchandise field, the National Retail Merchants Association also is developing a voluntary standard for electronic purchase orders and invoices to provide a basic framework for electronic data interchange between retailers and their vendors.

A major general merchandise retail chain that's been into computer-to-computer transmissions for three years is J. C. Penney. John Blakesley, systems consultant for Penney, estimates that it is currently working with between 35 and 40 manufacturers, and that another 20 to 30 are on a test basis, a period lasting between one to four months. Penney deals with over 15,000 suppliers.

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Penney transmits purchase orders via the computer-to-computer circuit, says Blakesley, explaining that "our purchase orders are different from department stores. Theirs is a contract. They feel nervous about that. The back of their contracts contain a lot of fine print by their lawyers. Ours [purchase orders] aren't like that. We've made a contract with the suppliers for some total quantity. Ours is a shipping notice or advice. We don't feel anywhere as nervous."

What Penney gets back from the vendors are invoices, explaining what they shipped, cost of the merchandise and to what stores the merchandise was shipped.

The biggest savings, says Blakesley, is the time involving orders. This is most obvious to people in fashion, he says, but it can also reduce staple merchandise inventory dramatically. With today's high interest rates, that means an enormous savings.

Most general merchandise retailers get about four turns a year, says Blakesley. If you have $1 million (at retail) worth of goods, you expect $4 million in sales a year. Multiply those numbers by today's interest rates, and the numbers are big, he says. "The lower your investment in merchandise, the lower the markdowns when things become obsolete," he adds. This helps gross margins.

Still another savings: the manufacturer entering the data into the retailer's system. The producer keys the computer at his end, and it inputs the data into the retailer's system—a process that increases accuracy.

Aim of USC system: to replace manual and paper-based information flows

Penney isn't waiting for the rest of the industry to catch up, nor is it anticipating changing its software if eventually the NRMA task force does develop a universal communications system. Having once established a system of its own and requiring its vendors to get into the same computer-to-computer program, the company feels it would be too costly to switch.

There any attempt to match up the grocery industry to the general merchandise industry if each develops a UCS system, says Randy Allen, manager, national services and director of retailing, Touche Ross. There just isn't enough overlap.

In the meantime, the grocery industry's joint committees are busily working on such things as message standards, communications standards and a pilot program.

The two major objectives of the message standards committee are to determine the data element requirements for messages to accommodate such things as ordering, invoicing, order adjustments, order/invoicing support messages, and manufacturers' product messages; and to develop a standard format for each business message.

Drafts of the purchase order and invoice have been completed in the Transportation Data Coordinating Committee format. Formatting is the process in which individual messages or business transactions are examined to develop the computer-to-computer message structure. For example, during the development of the purchase order, it is necessary to determine how many "name and address" repetitions should be structured into the message to accommodate the various locations that may be used to be transmitted, such as "ship to" or "bill to."

The communications committee has investigated scheduling, response time, security, error rates

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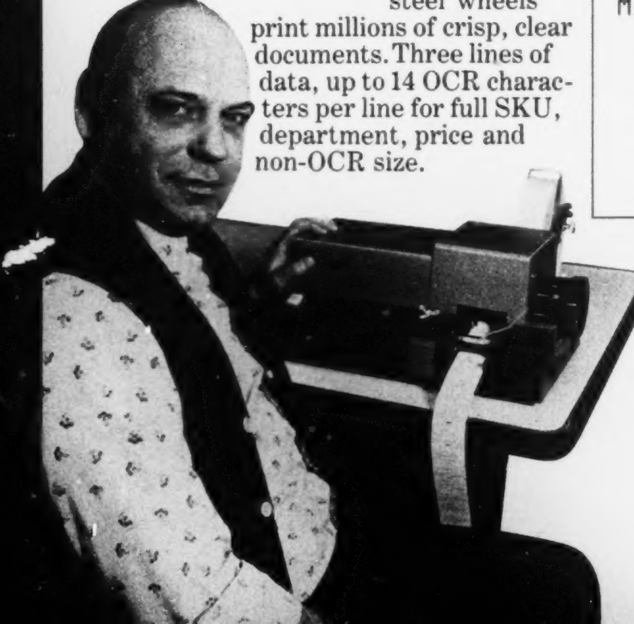

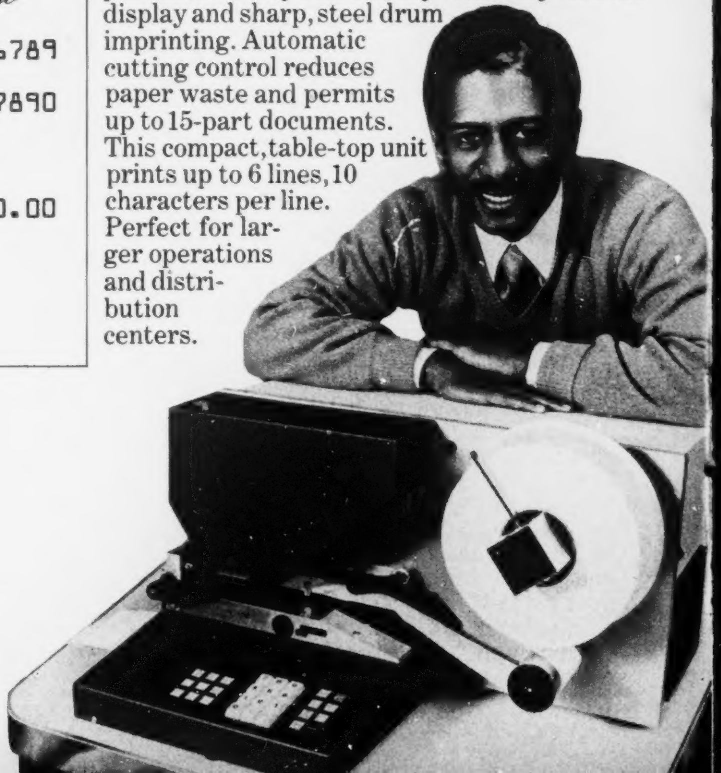

Dollar savings of computer-to-computer

	DISTRIBUTOR	
Annual Sales	*Total Orders Per Year*	*EDI* Orders Per Year*
$300 million	50,000	35,000
	ANNUAL COSTS AND BENEFITS	
Direct Savings		
Orders & adjustments		$ 38,500
Invoice		61,250
Payment advices & invoice adjustments		24,500
Announcements		1,050
Clerical error reduction		10,500
TOTAL DIRECT SAVINGS		$135,800
Costs		
Fixed		$ 1,320
Send		4,375
Receive		9,275
TOTAL COSTS		$ 14,970
Net direct savings		$120,830
Indirect savings		
Reduction in invoice adjustments		$ 58,330-105,000
Reduction in inventory		140,000-210,000
Reduction in clerical support		16,330-65,330
Reduction in sales calls		12,830-42,000
TOTAL INDIRECT SAVINGS		$227,490-$422,330
Total net savings		$348,320-$543,160

*Electronic Data Interchange
Source: Joint Committee for Grocery Industry

and the potential for reducing errors. Also, it is probing whether the grocery industry inventory of hardware and software is such that the most compatible standard can be used.

The group has been seeking to find the peaks and valleys of message times between manufacturers and distributors and retailers so that the manufacturers will have enough equipment—phones, for example—to handle all incoming orders and requests.

The pilot implementation committee is making up a list of representative brokers, retailers, wholesales (cooperative and unaffiliated) and manufacturers (dry grocery and nondry).

Also, four characteristics are important in determining the number of pilot companies: size (large—sophisticated users of computers, and small—minimal computer users); hardware vendors (IBM and non-IBM equipment); communication (use of service bureau or direct communication), and geography (West Coast, Midwest and East).

Currently, the group is satisfied that a group of 12 companies will provide a demonstrative but manageable pilot group. ■

—Stanley H. Slom

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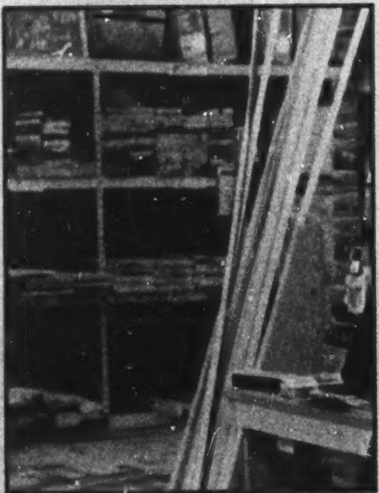

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INDUSTRY PROFILES

The Census Issue offers two sections: Industry Profiles and Physical Support Systems. The profiles in this first section provide data on seven different segments of retailing in terms of major capital expenditures and construction costs. Also chronicled are emerging trends in store sizes, formats and locations.

prints
frames
slides

Flexibility, selection and quantity of merchandise displayed have become primary ingredients in store design.

Specialty stores at the crossroads

Specialty store merchants are at a major crossroads today. Faced with the wallowing economy's effect on disposable income and the changing demographics to an older population, these merchants are being forced to adopt new postures.

In the past, specialty retailers defied the ebbing profits of other retail segments in a depressed economy by offering narrowly defined merchandise lines while running lean operations. The results were generally better service, competitive prices and quality merchandise.

But the times have changed all that, and specialty retailers today can't expect the same heady growth rates in sales, profits or expansion.

Those who are rising to the challenge and are developing a new level of sophistication in store design, merchandising and in operations can expect to make further headway and hold market share, while those who don't can be assured of a merciless demise.

With all the economic and market variables, those specialty retailers expected to do well are:

- Toy chains, such as Toys "R" Us, that continue to increase market share near 10% as more traditional retailers reduce toy mixes.
- Computer stores such as Radio Shack's Computer Centers that continue to tap into a burgeoning market. Observers claim there's no end in sight for this retail segment as growth opportunities now at $1 billion sales nationwide are expected to mushroom to between $6 billion and $13 billion by 1985.
- **Off-Price** merchants such as Carson, Calif.-based Pic 'n' Save, that reported net earnings that jumped 64% to $2.7 million on sales of $24.7 million for the first quarter. The company, which specializes in new closeout merchandise at 40% to 70% below retail, has grown rapidly to 72 stores in five Southwestern states.
- And DIY companies, including automotive chains, are also expected to realize tremendous growth as consumers move heavily toward do-it-yourself categories.

New store construction costs (up as much as 25% over last year), smaller store spaces in shopping centers, and high interest rates continue to plague specialty merchants. Shopping center store sites, however small, are even more difficult to find as developers and retailers alike drastically reduce new malls and stores and place increasing emphasis on remodeling, upgrading and increased sales per square foot.

Specialty retailers, no longer able to negotiate much in leases, are finding themselves more and more with less than a bare shell to lease from developers who are attempting to improve their own bottom lines.

"Today retailers have to go into the building business," claims Kenneth Narva of White Plains, N.Y.-based Planned Expansion Group, retail designers and architects. Two years ago, he says, an average 3,000-sq.ft. store cost about $30 per square foot. Today that's up to $40 a square foot.

Specialty

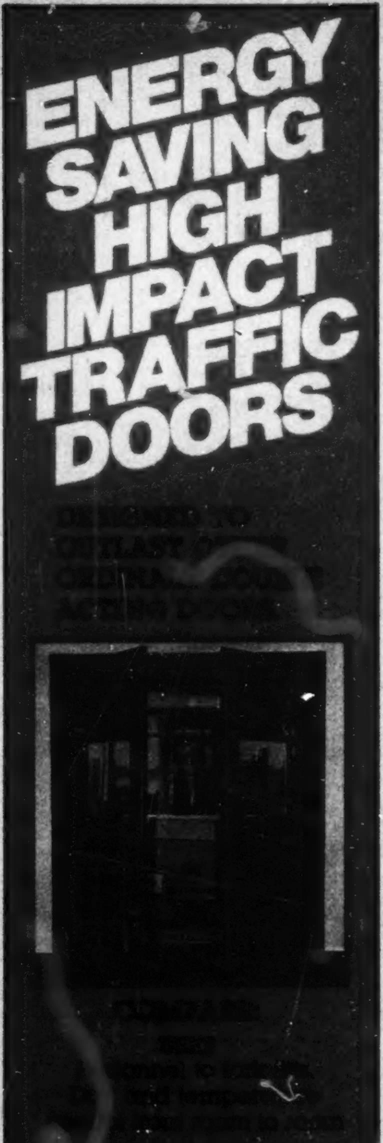
Capital expenditure boxscore

Average store size
3,000 sq. ft.

Average size of stores built in 1981
2,833 sq. ft.

Construction cost (with labor)
$48.60 per sq. ft.

Construction cost (without labor)
$27.02 per sq. ft.



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Flexibility, selection and quantity of merchandise displayed become the primary ingredients in store design. Prefabricated elements such as wall panels and lightweight panels such as decoustics are becoming more of the norm, he says. In many cases, such elements aren't considered improvements to property and tenants who relocate can literally move the entire design package, he says, noting a three-dimensional grid system in a variety of geometric shapes also provides extreme flexibility for remodeling.

Narva says about 80% of the upfront costs for a new store are now basic construction including plumbing, electrical and sprinkler systems. The difference in cost only comes in the finishes such as wall painting, 2-ft. by 4-ft. drop ceilings with fluorescent lighting and drop fascias.

Prefabricated elements offer more quality control and less construction time

Therefore, prefabricated elements are being advocated and used more and more. Such elements, Narva says, offer more quality control and they shorten the construction time frame to the bare minimum.

Instead of dropping a sheet rock fascia, decoustic panels, for example, are vertical panels in a variety of geometric shapes that can be hung on thin wires off a T-joist. They're so lightweight that they present no structural problem, and yet, they are quick to install, cheaper overall than traditional treatments, and very flexible. Moreover, these elements can be covered in vinyl, paint or mirror, depending on budget restrictions and total look desired.

"Store design has become much more of an architectural project rather than the older interior design approach," he insists. Store design is much more sophisticated today.

"We've been able to sell retailers on spending more money in new stores in smaller square footage because they're getting about 20% more merchandise displayed, which generally translates into more business and justifies better design from the start. Good design means a better bottom line," Narva points out.

Specialty retailers are also looking in other directions. Some are developing prototypes for strip shopping center locations, while others are (in a complete turnaround) aggressively seeking out that once shrugged off peculiar shaped space in regional malls for its uniqueness and increased optical frontage.

In the last few years, Detroit-headquartered Winkelman's has been actively expanding into strip centers with a scaled-down prototype. According to Ron Leonetti, vp store planning and visual presentation, these strip center units have been very successful and the chain gets better and bigger store frontage and better leverage in such a location. "It's given us a hell of a competitive edge," he says, adding that store productivity is up.

The smaller approximately 5,000-sq.-ft. store uses a series of undulating walls broken up with jute fabric, mirror and/or natural wood slating to create small fashion segments rather than a mass merchandise look. The chain integrates wall and floor fixtures to create a fluid fashion flow in small modules which, coupled with a predetermined traffic pattern and directional optics, create a natural transgression from the store front to the rear.

The new prototype also allows for better cube usage and gets away from the traditional floor rack look. Even though the stores are 5,000 sq. ft., Leonetti says it gives the illusion of being 8,000 sq. ft.

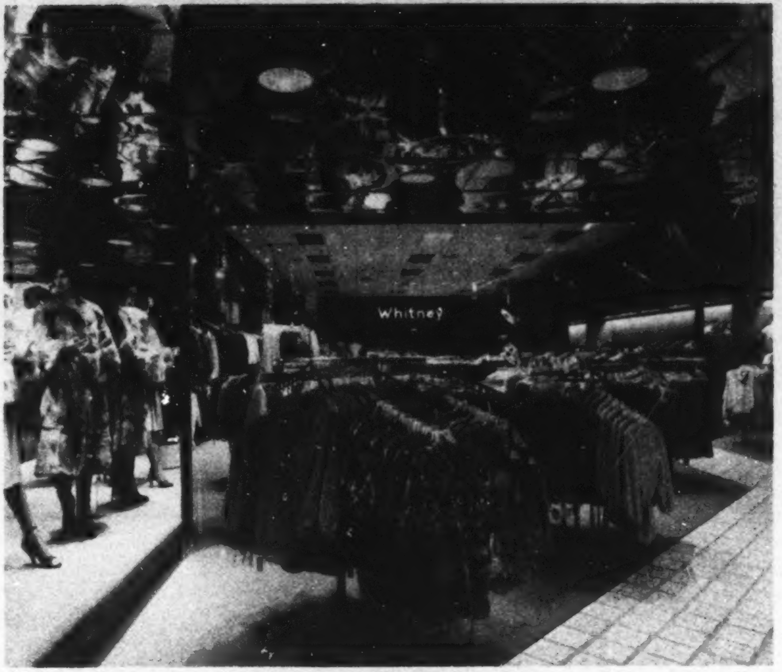
Everyone is struggling with soaring occupancy costs and the smaller store space is not giving the same productivity as expected, he says, so Winkelman's is experimenting with other options as well.

Its newest store slated to open next month in the Water Tower in Chicago incorporates an 8-ft. by 10-ft. by 5-ft. abstract, stainless steel sculpture (done in geometric patterns) right into the storefront, which is a first for any retailer.

Traditionally discounted price merchants such as catalog showrooms are starting to upgrade their presentations in an attempt to increase market share and their bottom line.

Nashville-based Service Merchandise just unveiled a new 60,000-sq.-ft. prototype in Novi, Mich., a suburb of Chicago, which creates more of a department store look.

By using fewer fluorescent tubes for lighting, the company pared its 100 to 125 footcandle reading to 70



Whitney Stores has developed a 4,000-sq.-ft. prototype with merchandise areas defined by lighting, color and textures.

footcandles in the new prototype. Ceiling heights formerly 13 ft. have been cut to 11 ft. and the main traffic aisle is stained concrete. The whole showroom revolves around the carpeted jewelry area in the center and the chain now offers more gourmet sections and mini-boutiques around the perimeter. According to company executives, the chain did the prototype for a less than 25% increase over previous new store openings.

The shift in demographics to an older base of 25- to 35-year-olds, which has altered shopping and spending patterns, is cited by security analysts as the major readjustment necessary for retailers, especially junior women's apparel chains, which have been hard hit.

Most merchants in the junior women's apparel market and in high fashion shoe stores continue to show depressed sales and earnings. While Miller-Wohl posted a 10.1% earnings increase to $4.3 million in the first quarter, security analysts say those results should have been higher.

Miller-Wohl officials claim their biggest concern is the crunch in disposable income and not the changing demographics. Therefore, the chain is attempting to keep a tight rein on inventories, while still providing new merchandise. To help accomplish this, the company's headquarters recently received an electronic system with cathode ray tubes, allowing for daily inventory and other analysis from each store.

On the other hand, misses women's apparel chains and self-select discount shoe outlets are enjoying much stronger sales and earnings. US Shoe, for example, posted a 68% increase in the first quarter, with much of the increase coming from its Casual Corner and J. Riggings men's wear divisions. According to Terence McEvoy, vp and analyst with Dean Witter Reynolds, the company moved away from a heavy junior emphasis several years ago and is well ahead of other chains.

Self-select shoe stores are outpacing traditional shoe chains because of their lower overhead, discounted merchandise mix, and wider consumer acceptance in a down economy.

By eliminating the amount of sales help with a self-select approach, Fayva Shoes, a division of Morse, can keep labor costs to about 8% of total sales, compared with the 15% labor costs incurred by traditional shoe chains, McEvoy notes.

According to Planned Expansion's Narva, the 2,000-sq.-ft. unit is the first time any shoe chain has displayed better, higher-priced women's shoes self-select, as opposed to self-service. The self-select concept is gaining heavy ground in many retail facets and security analysts predict self-select shoes will be the fastest-growing segment in shoe retailing in the future.

Moreover, some retailers with shoe chain divisions, such as Los Angles-based Hartfield-Zodys, have repositioned the Karl's Shoe Stop division toward a self-select, discount concept. The Shoe Stop division is expected to swell its ranks to 80 units by year-end, with annualized sales of more than $20 million.

Company executives indicate the new units, which do approximately $250,000 to $300,000 per store annually, place the division in a "leader" role rather than a "follower" posture.

Other companies, such as McCrory, parent of Lerner Shops, are experimenting with different approaches and formats. This past January, the company had eight Jenny Lane stores in operation, which are smaller in size than the typical Lerner units, and offer a different design and limited merchandise assortments. Executives there regard this new concept as "promising" and are carefully evaluating this new look to determine future growth potential.

As far as fabric chains are concerned, some analysts feel it's a dying market because many schools no longer teach sewing as part of their curriculum. However, there seems little evidence at this point to verify that claim.

In fact, Lucky Stores' Hancock Fabrics chain (including Fabric Warehouse) contributed 10.3% or $16.4 million to total corporate earnings to fiscal 1980—three percentage points higher than in 1979. In the first quarter, the fabric division posted sales of $36 million, 12.5% higher than 1980's first quarter, and $3.4 million in pretax earnings, up 19% over the comparable first quarter in 1980.

Lucky officials claim that in troubled times more people are doing their own sewing, and the DIY appeal the outlets have is being fueled further by the economy.

While some fallout is expected in the specialty field in the next few years, the consensus is that specialty retailers will adapt new postures to accommodate emerging trends from demographic changes and varying market conditions. ■

—Susan Warner

Trend shifts to larger stores

Eckerd operates 1,113 drug stores in 16 states, with more than 300 units in Florida and another 200 in Texas.

Despite a hectic building pace, which had the nation's 50 largest chains boosting their store counts by about 8%, the overall number of chain drug stores decreased in 1980. According to a *Drug Store News* study of the industry, the holdings of companies with two units or more slid from a high of 19,764 in 1979 to 19,251 a year later—a drop of about 2.6%.

The reasons for the decline all stem from high interest rates, and the resultant need to pay increased attention to productivity. Those low-profit stores that chains tolerated in the past had to be cut loose last year, because management could no longer allow precious cash flow to be diverted into marginal projects. Stores that stood alone in some markets were shuttered or sold off, in order to trim advertising, distribution and supervision expenses.

The upshot was a marked increase in per store volume. Average sales per retail drug outlet expanded sharply in 1980 to $1.23 million from $1.03 million the year before. In fact, sales for the industry as a whole were up 15.6% to $23.6 billion, from $20.4 billion in 1979—an indication that chains were finding ways to increase productivity other than new store expansion.

By all accounts, however, chain drug executives would have liked to open more stores than they did last year. In some cases, expansion plans were shelved for lack of funds. Net profits often failed to keep pace with sales increases, and cash flow channels constricted. Among the top 50 chains, 52-store Begley Drug saw profits drop 41%, Dart Drug experienced a 45% decline, Fay's annual earnings plummeted 68% and Genovese reported a 67% slide. Income also slipped at such traditionally strong West Coast companies as Longs and Pay 'n Save.

Another factor was the slowdown in shopping center and neighborhood strip construction. To sidestep this problem, chains have been returning to viable downtowns and central business districts and finding freestanding locations. Rite Aid, for instance, opened its first freestanding unit in Carlisle, Pa., last year.

In general, the major chains managed to take the site squeeze and an industry average of $21.76 in construction costs per square foot in stride. The 50 biggest companies (almost two-thirds of the chain drug universe) launched more than 850 units last year for a total of 12,009.

Revco led the pack with 120 openings, which brought the Twinsburg, Ohio-based operation up to 1,313 stores by fiscal year-end, June 1980. Revco has opened an additional 81 new outlets since then, and the acquisition of the 112-store Skillern's Drug group in Texas has boosted its roster near the 1,500-unit mark this year.

After Revco, Rite Aid of Shiremanstown, Pa., was the biggest builder of new drug stores, with 97 openings for a net gain of 88 outlets in the year ended March 1981. Rite Aid finished the fiscal year with 878 stores—and its recent acquisition of 31 Fay's Drug units in the Carolinas has given the chain 909 branches at presstime.

Eckerd Drug of Clearwater, Fla., added 88 outlets in the year ended July 1980, but only about 70 of those were internally generated, the rest coming onstream through acquisition. Eckerd now operates 1,113 drug stores in 16 states, with more than 300 units in Florida and another 200 in Texas.

The Walgreen Company, Deerfield, Ill., is the only other drug retailer that built more than 50 stores last year. The country's fourth largest drug chain opened 70 units in the year ended August

Drug store

Capital expenditure boxscore

Average store size
10,063 sq. ft.

Average size of stores built in 1981
10,647 sq. ft.

Construction cost (with labor)
$48.38 per sq. ft.

Construction cost (without labor)
$21.76 per sq. ft.

1980, for a total of 739 outlets, as compared to 688 the year before.

But these and other chains saw another route to increased sales and profits last year, and that route was remodeling.

Rite Aid overhauled 81 stores in 1980, while Revco remodeled 60 and Walgreen 50. Thrifty, based in California, paid for facelifts in 42 of its 529 outlets and Adams Drug of Pawtucket, R.I., renovated 43 of its 391 units.

Such efforts have not been without results. Walgreen execs say that by spending $70,000 to remodel an average drug store, the chain can expand sales volume in that store by as much as 20%.

On an industrywide basis, both new units and remodelings are skewing the size of the average drug store up these days. In 1980, the average unit weighed in at 9,471 sq. ft. of selling space, while new units weighed in at 10,647 sq. ft.

One-third of Revco's facelifts were store enlargements, for instance, and chain execs say that they will opt for a 10,500-sq.-ft. prototype for new stores in a number of markets. The vast majority of Revco's outlets operate with about 8,500 sq. ft.

Chains are attempting to capitalize on one-stop shopping

Adams Drug, Pawtucket, R.I., also plans to "continue to emphasize the opening of larger stores," according to a recent statement by chairman Samuel Salmanson. Alexandria, Va.-based Peoples Drug is testing a 14,000-sq.-ft. prototype in its Health Mart Division, where stores now average some 3,000 sq. ft. of selling space, and future units could fall into the 10,000-sq.-ft. range.

What these and other chains are aiming for with larger stores is an opportunity to capitalize on the need for convenient, one-stop shopping. Also, by expanding their merchandise mixes in high profit departments such as hardware, soft goods, and automotive supplies, chains are improving their gross margin structures.

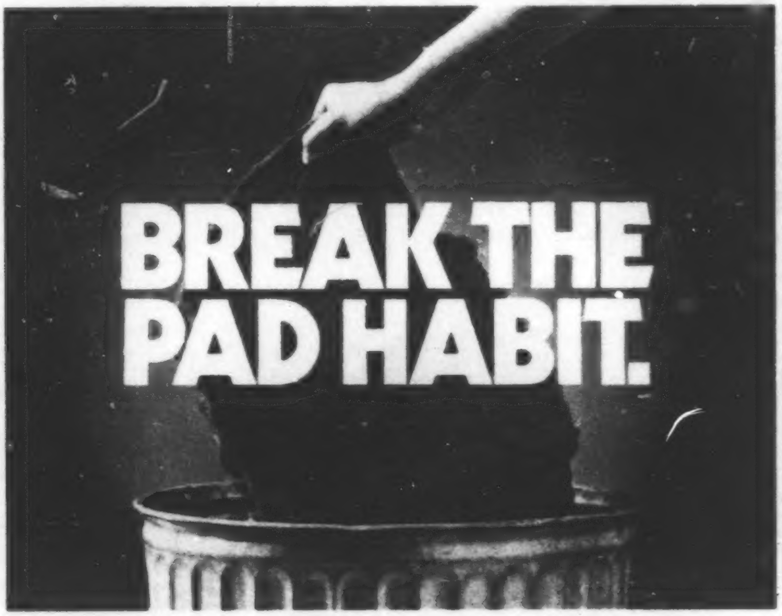
But the largest stores are being opened on the West Coast, as has been the case for years. Chains like Longs, Pay Less and Pay 'n Save were the pioneers in the development of the superstore concept, which has since spread eastward in a more conservative form.

Longs, for instance, operates 149 superstores with an average of 26,000 sq. ft. apiece (and remains the industry record-holder for per store volume with nearly $6 million in average sales). Pay 'n Save's prototype stands at about 25,000 sq. ft.

By contrast, superstores east of the Rockies tend downward to as few as 15,000 sq. ft. The majority of stores owned by Dart Drug of Landover, Md., for instance, fall into the 15,000- to 25,000-sq.-ft. category, and Alexandria, Va.-based Drugfair boasts a chainwide average of 17,000 sq. ft. per unit.

As long as chains continue to pass up bantam prototypes (under 8,000 sq. ft.) for conventional and supersized units, the size of an average drug store will increase. But that trend could turn around in the years to come, because a number of chains are down-sizing their prototypes in an effort to combat soaring rental and occupancy costs.

This is precisely what has hap-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pened at Thrift Drug, a Pittsburgh-based subsidiary of J. C. Penney. About two years ago, Thrift management abandoned a 17,600-sq.-ft. prototype in favor of 14,000- and 12,000-sq.-ft. models; and last year, the chain pared down again to a more efficient 9,400 sq. ft.

SupeRx, a subsidiary of the Kroger Co. and operator of 515 drug stores, will be taking three routes in the foreseeable future: 11,370 sq. ft., 10,100 sq. ft. and 8,100 sq. ft. As a result, the chain average, currently perched at the 11,200-sq.-ft. mark, is bound to diminish as the chain expands.

And Los Angeles-based Thrifty is launching stores that, at 13,200 sq. ft., are about a third smaller than previous prototypes. Much of the space savings came in the backroom, which will represent only 20% of total footage in new units.

Reports indicate that chains are finding ways to increase productivity other than new store construction.

But drug stores are varying in terms of more than size. Low-margin stores, often known as "box" stores, have gained increased currency with chain drug execs.

REA AND DERICK

On an industrywide basis, both new units and remodelings are skewing up the average drug store size.

Peoples Drug, for instance, launched its third such unit last August under the Health Mart logo. In 7,200 sq. ft. of selling space, the unit uses cut-case display techniques, lots of point-of-sale signing and a deep-discount price policy to beef up traffic, volume and, ultimately, gross profit dollars.

Dart Drug converted a Richmond, Va., superstore into a modified box store last year, and the Total-+ outlet, as it was called, was successful enough to prompt the conversion of three other units to the same formula. Unlike the low-margin drug stores that preceded it, Total-+ features a broad range of housewares, auto supplies and clothing in addition to high-velocity health and beauty aids.

SupeRx also entered the low-margin store competition in 1980. The first Super-X-tra Drug World opened its doors in May 1980, and the second followed in February 1981. Both are located in Columbus, Ohio, a market that has seen a lot of the box drug store boom in the last few years.

Combination stores, by contrast, saw as much backing down as building up in the past year or so. Just recently, for example, Walgreen announced that it was getting out of the day-to-day business of running food/drug combos, and leaving managerial responsibility to its partner in the ventures, Schnucks Markets of St. Louis. One of the stores, a chain spokesman said, would be sold off altogether to Safeway.

But some chains have decided that the quickest route to increased sales and profits is through acquisition of smaller operations. What has been a long-term trend toward consolidation in the chain drug industry accelerated sharply in 1980. In the course of the year, 600 retail drug outlets changed hands—as compared to 630 in the three previous years.

Four major drug chains were acquired. Pay Less Northwest, after a prolonged battle with Jewel Companies, purchased the 61 Pay Less California outlets last July. Jewel, in turn, bought another West Coast chain, Sav-On, a month later, and thereby added 148 stores in California, Nevada and Texas to its 272-store Osco Drug operation.

In October, Revco paid about $60 million for the 144-unit Skillern's drug division of Zale. The move, which required intense negotiations with the Justice Department at the 11th hour, strengthened Revco's position in the Sunbelt, a priority market for the chain.

Cunningham Drug and its 164 units went in November to CD Acquisition Corp., a group of nine private investors. The total purchase price came to $21.5 million, considerably less than the chain's book value of $29.2 million—but then again, Cunningham's earnings had risen only about 3% in the fiscal year ended Aug. 30, 1980.

Eckerd was also active in the acquisition market last year, picking up Post Drugs, a seven-store chain, and Sav-X Drugs, a 17-store chain —both in Texas. Walgreen acquired a total of 27 stores in three separate deals, and Detroit-based Perry Drugs merged with the 26-unit DeKoven group in late July.

By all accounts, the acquisition is likely to remain a major expansion tool for aggressive chain drug companies—and the industry is likely to consolidate to an even greater degree in the 1980's. ■

—**Michael Friedman**

K mart is cutting back on store expansion and channelling capital funds into remodeling.

Off year for mass merchandisers

At the recent National Mass Retailing Institute annual convention in Bal Harbour, Fla., Bradlees Department Store Co. president Harold Frank struck a surprisingly upbeat tone in his remarks about the state of the discount industry.

Frank noted that mass merchandising has consistently increased its market share over its 20-year history, and asked "Where else in American industry can you find such instant success?" In addition, there will be "a further flowering" of this retail segment in the 1980's, said Frank, and he looks forward to "the fantastic future that lies ahead" for discounting.

While the Bradlees exec may be right about the long-term prospects for mass merchandising, the immediate outlook for most discounters is far from bullish, as a number of other NMRI conventioneers and speakers pointed out.

Zodys president, Arnold R. Suval, for example, observed that most chains have been chalking up single digit store-for-store gains, while their operating expenses have been rising anywhere between 10% to 20%. "We need more productivity from all our assets," continued Suval, citing advertising, distribution, utilities and travel as particular areas where industry costs are out of control.

Suval's concerns are more than borne out by even a cursory review of the latest annual reports among discounters. With a few notable exceptions—including Wal-Mart Stores, Target Stores, Caldor, Zayre—1980 will not be remembered as a vintage year for mass merchandising.

K mart Corp., by far the biggest discounter with sales of $14.2 billion for the fiscal year ended Jan. 28, also had net income of $260.5 million, or $2.06 a share, or a 27% drop from the $357.9 million or $2.84 a share, it earned the year before. Included in this performance were a meager store-for-store sales gain of 3.8%, as well as a drop in gross margins, a 16.9% rise in employee compensation and benefits and an astonishing 123.6% jump in net interest expense.

The immediate outlook for most discounters is far from bullish

At the United States division of Woolworth and Woolco, where a majority of revenues come from mass merchandising, weak 1980 operating results were attributed to the high inflation rate, increased competition and skyrocketing costs for labor and energy. In its fiscal year ended Jan. 31, sales at this key division of F. W. Woolworth Co. were almost $3.8 billion, a modest increase of 6% over the year-earlier figure of $3.5 billion. Meanwhile, sales per square foot advanced only about 2.5% and the division's operating income (income before unallocated expenses) dropped by 22.5% to $61 million from $78 million in 1979.

Besides these two national discounters, a number of the major re-

Discount store

Capital expenditure boxscore

Average store size
92,440 sq. ft.

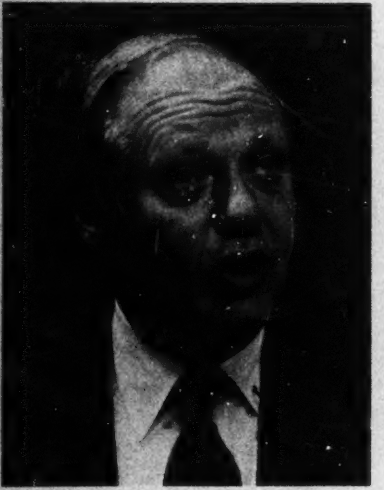
Average size of stores built in 1981
77,583 sq. ft.

Construction cost (with labor)
$49.84 per sq. ft.

Construction cost (without labor)
$26.25 per sq. ft.

gional discounters also stumbled in 1980, with harder times befalling mass merchandisers not only in the recession-plagued areas of the Midwest but also in the more robust sections of the South and Far West.

Examples of Sunbelt retailers whose 1980 operating results were off include the Dublin, Calif.-based Gemco department stores as well as Zodys, a chain headquartered in Los Angeles with stores in the booming areas of southern California, Arizona, Nevada and New Mexico. In addition, FedMart Corp. (San Diego) and Kuhn's Big-K Stores Corp. (Nashville) had much more serious difficulties, finishing their fiscal years in the red.


Bradlees' Frank looks forward to "the fantastic future that lies ahead" for discounting.

On the upside, Wal-Mart was once again at the forefront of mass merchandisers, posting an earnings gain of [illegible] to $55.7 million or $1.73 per fully diluted share, compared with [illegible] million or $1.34 per fully diluted share in the year earlier. For the fiscal period ended Jan. 31, the regional discounter's revenues were $1.64 billion, or a 32% jump over the 1979 sales of $1.25 billion. And Wal-Mart showed no signs of slowing down on this torrid growth rate in the first quarter.

Another stellar performer was Target Stores Inc., the discount division of Dayton Hudson. In its fiscal year ended Jan. 31, this Minneapolis-based mass retailer had a 37% increase in revenues, while its operating profit was up handsomely to $91 million, a 25% advance from the $72.8 million in the previous year. Mervyn's, another one of Dayton Hudson's high-flying properties, also bucked the general downward trend, reporting a 26% rise in revenues and an 11% gain in operating profits from its soft lines-oriented stores.

And lastly, there were several other regional operators who turned in solid 1980 performances: Caldor and Zayre in the Northeast, Heck's in the South, Venture in the Midwest and Fred Meyer in the Far West.

But regardless of which chains turn out to be the winners and losers this year, these are some of the trends likely to characterize discounting in the next few years:

- Building smaller stores, not only for greater energy efficiency but also to better tailor the new prototypes to towns outside the traditional major and middle markets.
- Fewer store openings, as restricted consumer spending, increased competition, high credit and construction costs and a diminishing number of attractive locations spell an end to the headlong expansion of the late 60's and 70's.
- Of this scaled-down number of starts projected for the first half of this decade, a majority will continue to be built in the high growth areas of the West and South, while openings in the Frost Belt diminish still further.
- A greater emphasis on remodels and maximizing productivity of the existing store base. Popular methods of invigorating sales per square foot include leasing out unwanted space, upgrading selections and presentations, and installing higher fixtures and wall merchandisers.
- A further consolidation of discount chains. In the recent past, failures or acquisitions have been on the rise, and that will continue as the industry moves toward the day when it may be dominated by a handful of superregionals or nationals.

In the go-go days of the late 60's and early 70's, discounters were spreading their relatively new brand of mass retailing to all parts of the country. Business was generally good, expansion money was cheap and easy to come by and the possibilities for new growth seemed endless.

Today, all of that has changed, with increasing competition, high inflation and a more sluggish economy, the high cost of energy or credit and a dwindling number of new expansion opportunities.

As a result, discounters are tightening their return-on-investment standards for new stores and moving into small town and other secondary markets (with their downsized prototypes). In addition, a number of mass merchandisers are simply cutting back on their store expansion programs and instead channeling these capital funds into ambitious remodeling efforts.

K mart, of course, is the prime example of this trend, having recently announced plans to convert between 350 and 400 units a year to its new, upscaled look, first seen in an Indianapolis test program 10 months ago.

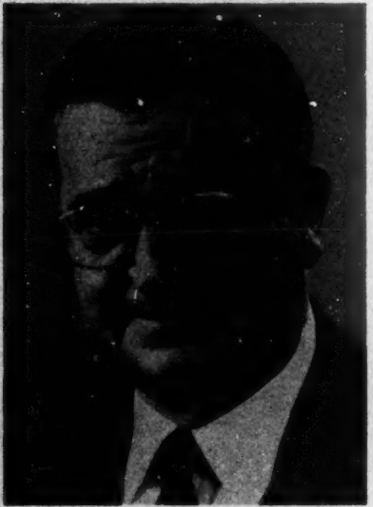
"We have determined that we should reduce our previously projected rate of store openings [about 200 stores a year] and divert more resources and management time to bringing up to a high standard of operation our existing base of stores while optimizing their profit performance," says K mart chairman Bernard M. Fauber.

Another method of dealing with this tougher discount marketplace is exemplified by Woolco, where five existing stores totaling 500,000 sq. ft. of GLA were closed and then sublet at a profit last year. And over the last three years, this Woolworth division has sublet "unproductive" space in an additional 43 of its units, thereby reducing operating expenses and boosting sales per square foot.

Zodys' Suval: "Operating expenses have been rising between 10% and 20%."

Comments Edward F. Gibbons, the Woolworth chairman and ceo, these moves are "part of an overall program to use real estate and lease rights in the most effective manner possible. Few assets are increasing in value faster than those related to the rights of occupancy in prime locations. Our programs will be conducted on a continuing basis in the 1980's, a period during which we expect to see real estate values increase at unprecedented rates."

Finally, the strong chains are getting stronger in this adverse economic climate, as failures increase and acquisitions of strong or weak outfits become more attractive. In the last 18 months alone, there have been the following major developments:


Woolworth's Gibbons: "We expect to see real estate values increase at unprecedented rates."

- The liquidation of Korvettes Inc., the New York chain that once had 36 stores and 1979 sales of $637.7 million.
- The acquisition of Caldor by Associated Dry Goods, as well as the marriages of King's and Barker's, Dayton Hudson's Target with Ayr-Way and Cook United and Rink's
- The aborted acquisition of Kuhn's-Big K Stores by Wal-Mart.
- J. C. Penney's closing of its Treasury division, the unprofitable discount chain that had 34 stores in several states.

If this dizzying rate of consolidation continues, the discount universe may be controlled by a clique of superregional or national chains within the next five years. However, if some of these current frontrunners grow too fast or simply become complacent, then a niche will be created for more small chains—and that could make the competition fiercer than it is even now. ■

—Craig Carter

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Retail analysts at Merrill Lynch are quite bullish for "cyclical growth" on department stores such as R. H. Macy.

1981: 'a decent year'

The department store industry has been working hard to get its house in order and if first quarter results were any indication, it should be a fairly decent year for the retailers.

Putting the house in order means getting tighter controls over expenses and inventories. The cost of borrowing simply refuses to abate and one way the retailers have found to cope with the situation is to buy less merchandise, which results in lowered borrowings.

The other ways of keeping expenses and borrowings under control are to open fewer stores than in the past, plan and open smaller units, invest heavily in energy management and to use more and more part-time help so that they can be slotted into key traffic hours.

A sampling of results showed earnings of such chains as Federated Department Stores up 53.7% in the first fiscal quarter over a year ago on a 14.5% sales increase; Allied Stores, up 65.3% on an 11.1% sales increase, and May Department Stores, up 34.6% on a 9.5% sales increase.

Thomas M. Macioce, president of Allied, says, "Gains were realized in all areas, with merchandise margins improved, expense ratios to sales down and net interest expense $1.1 million less than in the prior year."

David C. Farrell, president, and John W. Boyle, chairman of May, attribute the record results to a strong Easter season, coupled with improvements in gross margin and operating expense ratios.

However, it was Federated that pointed out last year's first quarter was affected adversely by the imposition of credit controls by the Federal Reserve Board in mid-March. As a result, Howard Goldfeder, president, and Ralph Lazarus, chairman, warned that the first quarter gain wasn't indicative of what will happen later in the year. It expects its business to grow by 9% to 9.5% for the rest of the year.

Yet, retail analysts—the people who try to find a correlation between the price of the stock and the earnings of the company as a way of evaluating performance—project sales and earnings for the remainder of the year as relatively healthy. After all, the comparison for the first three quarters are with soft numbers in 1980. In fact, it wasn't until the last two weeks before Christmas that consumer spending in retail stores picked up.

At Merrill Lynch, analysts are quite bullish for "cyclical growth" on such department stores as Allied Stores, Carter Hawley Hale, Federated Department Stores, R. H. Macy and J. C. Penney. Recommended for the "undervalued situations" are May Department Stores and F. W. Woolworth. Among general merchandise chains recognized for their "highly visible growth" are Dayton Hudson, K mart and Wal-Mart.

One of many analysts bullish on retail stocks is Jeffrey B. Edelman, first vp, Dean Witter Reynolds, who recommends such securities as:

- May Department Stores. "Undervalued at current levels . . . raising our full year estimate 10¢ to $4.50 a share . . . holding with $5 forecast for 1982," compared with $4.01 last year.
- Dayton Hudson. "One of the fastest growing department stores, remains undervalued."
- Allied Stores. ". . . appears to be undervalued relative to the overall market as well as to the department-store group . . . raising our full-year forecast 25¢ to $4.75 per share for 1981 and to $5.35 for 1982," compared with $4.11 in 1980.
- Federated Department Stores. "Remains one of our favored department store investments . . . we are raising our 1981 full-year estimates

Department store

Capital expenditure boxscore

Average store size
105,974 sq. ft.

Average size of stores built in 1981
75,432 sq. ft.

Construction cost (with labor)
$62.60 per sq. ft.

Construction cost (without labor)
$35.60 per sq. ft.

by 15¢ to $5 per share fully diluted; for 1982 we are projecting earnings of $5.75 fully diluted," compared with $4.40 a share in 1980.

- Associated Dry Goods. "Has the potential to increase earnings at 15% over the next several years, a rate better than most other department stores . . . the company is well on its road to recovery and [results] are in line with our full-year forecast of $4.50 per share. We have increased our dilution arising from the Caldor acquisition, this because of the recent rise in interest rates. On a pro-forma basis, we are now forecasting profits of $3.85 per share as against our prior estimate of $3.90."

Another major factor contributing to the ebullience of retailers is the Reagan Administration. "He's the first pro-business President since Calvin Coolidge," exclaims one major retailer, ignoring Herbert Hoover.

The department store segment of retailing continues to expand through the opening of new stores plus acquisitions of existing stores, although the trend seems to be to fewer stores in each succeeding year. The reasons for the slowdown are multifold: because of the high rate of money at the chief financial institutions, developers are building fewer shopping centers, offering fewer opportunities for department store chains to expand; there also is a shortage of qualified managerial talent in the department store field to operate additional units, and the costs of constructions continue to skyrocket in line with inflation, due to costs of materials and labor.

Retailers are buying less merchandise, resulting in lowered borrowings

In 1980, construction costs per square foot, including labor, were $65.14 for department stores and $32.75 without labor. All indications are that costs have risen steadily since then, putting a damper on expansion plans.

All this has resulted in a definite trend to refurbish existing stores, many of which are in downtown areas. This has given a much-needed shot in the arm to a number of deteriorating downtowns and more and more developers have indicated they are interested in committing themselves to downtown centers. Many of these are the same developers who a few years ago sniffed haughtily when asked about inner-city developments.

Refurbishing existing stores enables retailers to increase productivity and return-on-investment much faster and cheaper than with new stores. Second, it allows them —actually forces them—to re-examine their energy management systems in order to reduce costs.

At the recent International Council of Shopping Centers convention in Las Vegas, a number of center owners showed up hoping to sell their properties, even though they were fully leased and unleveraged. The reason: they had to borrow money at the high short-term rates and then had leases going out 10 to 15 years that would not support the borrowings. Still other developers were looking for financial investors, such as banks, insurance companies or pension funds, to fund their projects before they began to build. All this means a slowdown in the expansion rate.

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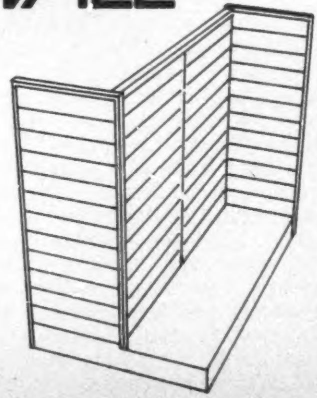

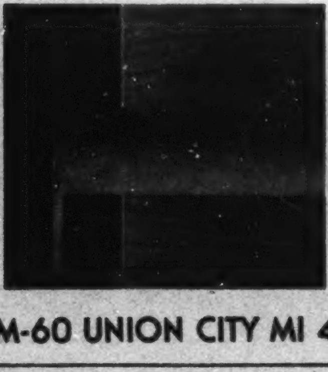

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Dayton Hudson, "one of the fastest growing department stores, remains undervalued," according to one analyst.

At the same time, owners of existing centers are getting a fairly warm reception from store owners—both department and specialty shops—to reduce the size of their units. This permits the center owners to increase their merchandise mix and at the same time to tear up old leases and begin anew with better income-producing leases.

New department stores, too, are smaller this year than last. A survey by *Chain Store Age Executive* shows that the average store size in 1981 is 90,444 sq. ft., compared with 104,022 sq. ft. a year earlier, and that the average size of stores being built this year is 62,222 sq. ft., compared with 81,978 sq. ft. in 1980. Much of this reduction is related to the escalating cost of materials and labor in building stores.

College graduates applying for jobs in the department store field this year are being asked to go into operations, rather than the traditional entry occupation of assistant buyer. The reason being cited is that there are so many stores currently on line, there is a desperate need for people power in the stores, and that the stores are trying to develop operations management rather than merchandising know-how.

In line with that is a major problem facing vendors: retailers—in order to keep their borrowing interest under tighter control—are buying in smaller quantities and closer to the season.

Ed Johnson, a retailer analyst, in his Johnson Redbook Service, points out that inventory-to-sales ratio for department chains and apparel specialty stores in April continued at relatively low levels as sales grew more rapidly than inventories. A strong indication of the cautious buying on the part of the retailer shows up in the disparity between the good increase in consumer constant dollar spending on apparel and the decline in the apparel production index since November, says Johnson.

Constant dollar consumer spending on apparel for the first two months of 1981 was up 6.7% over last year, compared with the 4.6% year-to-year decline in the apparel production index for the months of December and January, says Johnson.

Still another way department stores have been cutting their expense-to-sales ratio is by reducing their payrolls. This has been done by hiring part-timers to replace regular salespeople. The benefit of this is that a store can have salespeople on the floor during the key selling time when they are producing, rather than an entire workday.

The drawback is that much of the saleshelp lacks the expertise that customers have become accustomed to dealing with in department stores. The department stores have built a reputation on providing full service and expertise at all times, rather than the self-service of discount stores.

Also, there is the problem of more merchandise disappearing out the door, because there are a number of hours when the sales floors aren't fully attended. ■

—Stanley H. Slom

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J. C. Penney, third largest general merchandise retailer, posted sales of $11.4 billion in the fiscal year ended Jan. 31.

In general, earnings are up

Sears, Roebuck and J. C. Penney are beginning to act like the retail leaders they used to be, posting substantial earnings gains in the first quarter over the like year-earlier period.

Of course, the increases are over rather lackluster performances a year earlier when consumer credit was under attack by the Federal Administration and Penney still owned the floundering Treasury discount store chain. But Wall Street sees a much brighter future for the two chains than it did a year ago.

Montgomery Ward, the third leg of the Big Three catalog chains, also seems to have perked up with some sales improvements on a month-to-month basis.

Another component of general merchandise retailing—variety stores—keeps rolling along, but total sales of the two majors, Woolworth and G. C. Murphy, hardly keep pace with the rate of general merchandise inflation.

Sears, the largest retailer in the United States—both for nonfood and food—with $16.9 billion in merchandise sales in the fiscal year ended Jan. 31 (Sears is changing to a calendar year ending this Dec. 31) plans to open 22 more stores this year, adding to the 854 already in existence. The Merchandise Group has commitments for capital expenditures for new and enlarged facilities totaling $173 million for 1981-83.

Penney, the third largest general merchandise retailer behind Sears and K mart, had sales of $11.4 billion in the fiscal year ended Jan. 31. It plans to open 30 full line and 16 soft line J. C. Penney stores, 14 drug stores, and in Belgium one Sarma store and three Wendy restaurants, with capital expenditures expected to approximate $250 million. The Penney results exclude the Treasury discount operation, which is being discontinued after many years of unprofitability. As of Jan. 31, Penney operated 2,119 full and soft line stores. First quarter earnings almost tripled the 1980 level on a 10.6% sales increase.

Maintaining a "Buy" recommendation for Penney, Jeffrey B. Edelman, first vp of Dean Witter Reynolds, notes that its higher rate of profitability reflected all of the favorable operating leverage one would expect to be experienced because of the company's very tight control of its operations.

More than half of the improve-

Gen'l merchandise

Capital expenditure boxscore

Average store size
79,108 sq. ft.

Average size of stores built in 1981
67,750 sq. ft.

Construction cost (with labor)
$56.22 per sq. ft.

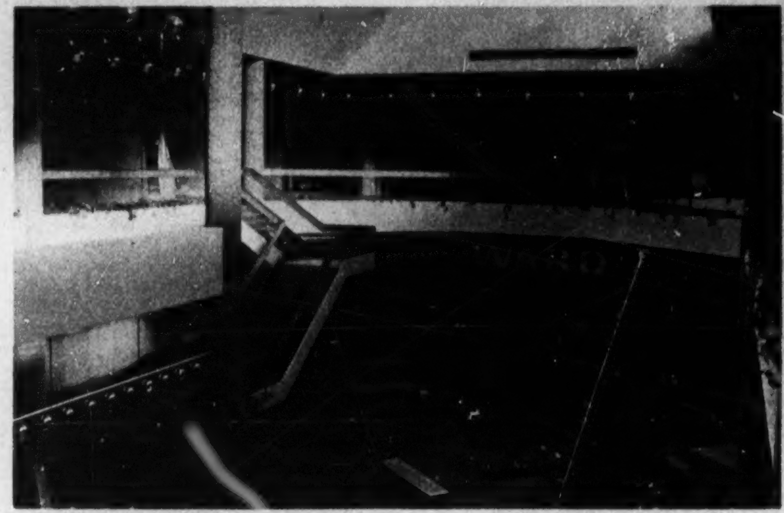
Construction cost (without labor)
$37.31 per sq. ft.

ment came from better gross margins, a combination of higher markup and lower markdowns. Inventories, says Edelman, at the end of the period were 3.8% below the prior year's level.

This was the second quarter in a row in which he saw the positive effects of keeping the proper mix, level, and balance of inventories in the right place at the right time, he says. The LIFO (last-in, first-out method of inventory accounting) charge increased slightly. Expense growth was held down to an 8.6% rate of gain, a good performance during this seasonally smaller quarter, following a 6.5% rise last year. That contributed about a 50-basis point improvement in profitability, as did a 16.5% decline in interest expense.

Based on what he sees, Edelman has increased his full-year estimate by 25 cents to $4.75 a share, compared with $3.33 a share, a year earlier.

At Sears, management says that a more positive buying mood by consumers, increased expense controls plus the effects of its newly instituted plan of merchandising including a mixture of promotions and regular-priced goods has contributed to its recent healthy performance.



Montgomery Ward's new president, Stephen L. Pistner, imposed a freeze on plans to close or convert 114 units.

Among its cost-saving factors were the consolidation of territorial offices from five to four and administrative units from 46 to 41, and an early retirement incentive plan for nearly 1,500 management employees. The consolidation and early retirement plan together are expected to result in an annual savings of some $125 million.

Sears Merchandising operations reported income of $17.4 million in

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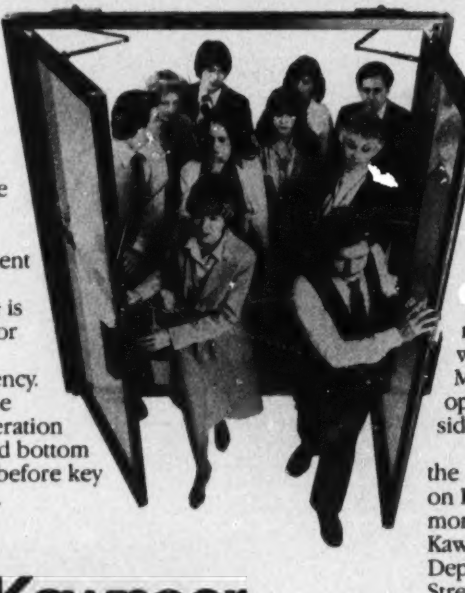

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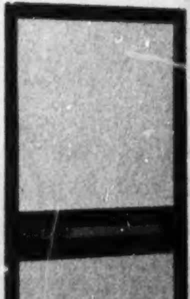

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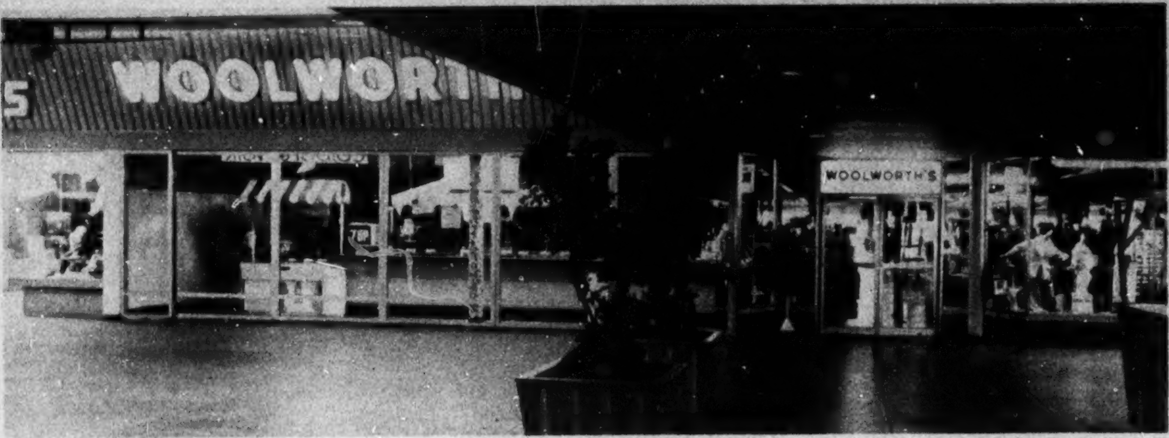


F. W. Woolworth sales show a 3.3% gain, far behind the 6.5% inflation factor for general merchandise types of goods.

its first quarter ended April 30, compared with a loss of $18.3 million last year. Sales rose 11.8%. After losses for credit operations and its international operations, the Merchandise Group's income was $2.8 million, compared with a loss of $31.8 million in the year-earlier first quarter, including an $11 million (after tax) customs duty settlement.

In the first quarter of 1981, Sears opened nine stores and closed three. The new stores added 1.2 million gross sq. ft. to the retail store system; after adjusting for closed stores, the net addition was 600,000 sq. ft. gross.

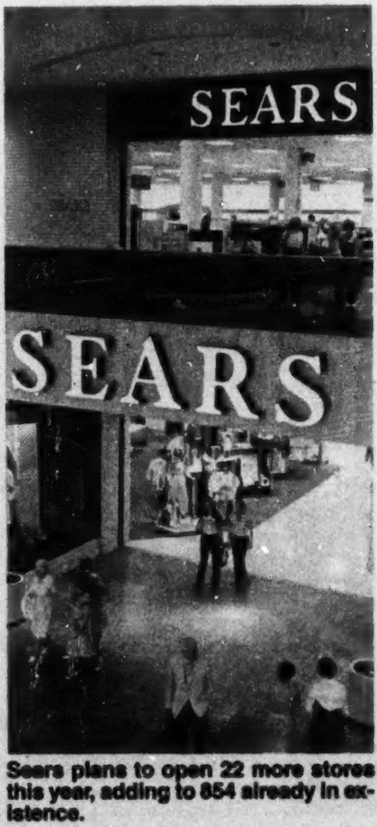
At Ward, the jury hasn't even been selected to analyze the effect of Mobil Corp.'s hiring Stephen L. Pistner away from his job as president of Dayton Hudson to become president and coo of its retail chain.

Pistner almost immediately imposed an indefinite freeze on Ward's previously announced plans to close or convert to discount units 114 of its 360 stores. The company said it was done to give Pistner time to reassess the chain. Ward had previously said it would close or convert the units to its Jefferson Stores Inc. subsidiary.

There also have been a number of reports around that Mobil is trying to peddle Ward, which posted a 1980 loss of $162 million—including an aftertax $30 million provision for closing certain unprofitable stores. In the first quarter of this year, the firm had a loss of $47 million. Additionally, last year, Mobil loaned Ward $300 million interest-free.

Rawleigh Warner Jr., Mobil chairman and ceo, says that "We have had some offers to sell Montgomery Ward from foreign companies, but we said no." He adds, however, that "Obviously, if we got a fantastic offer, we would consider it, but Montgomery Ward is not for sale."

The story on variety stores hasn't changed much in the last few years. Once a dominant factor in retailing with names such as F. W. Woolworth, W. T. Grant, J. J. Newberry, Kresge, Kress, G. C. Murphy, McCrory, McLellan and H. L. Green and a slew of others, the field has narrowed down to just a few names.



Sears plans to open 22 more stores this year, adding to 854 already in existence.

Probably the major reason for the erosion is the success of the expansion of supermarkets, drug chains and discounters into fields of merchandise not previously carried by them. In most cases, the victims have been the variety store chains.

"We have had some offers . . . but Montgomery Ward is not for sale"

In total number of units, Woolworth in the United States, Puerto Rico and Virgin Islands dipped from 1,371 as of Jan. 31, 1980, to 1,342 as of Jan. 31, 1981, opening nine and closing 38. Woolworth sales increased from $1.65 billion to $1.7 billion, a 3.3% gain, far behind the 6.5% inflation factor for general merchandise types of goods.

Both Woolworth and G. C. Murphy are into discounting, with the discounting outperforming the variety segments. Of course, the outrageous comparison is the case of K mart, which started out as Kresge, a variety chain that eventually went into discounting. Today, K mart still has Kresge variety stores, but hardly anyone notices because of the overwhelming success of the discount stores.

At Murphy, sales gains in the fiscal year ended Jan. 29 were most impressive in its Murphy's Mart discount operations, rising 17.9%, at a time when its variety store sales were declining by 6.4%. In the five weeks ended April 2, 1981, sales of Murphy's Mart rose 12.9%, while the variety store sales declined 8.6%. As of March 30, it has 103 Murphy's Marts and 344 variety stores, compared with 99 Murphy's Marts and 366 variety stores a year earlier. ■

the Butcher Shoppe
the S

According to one survey, 6.5% of all food stores have been remodeled at an average investment of $300,000.

Supermarkets focus on superstore idea

The dominant building trend in the supermarket industry continues to center on the expanding supermarket superstore and the growing amount of space allocated for higher margin nonfood general merchandise items.

The continued acceptance of the "one-stop shopping experience," meanwhile, has resulted in more and larger food, drug and general merchandise combination stores.

In addition, warehouse and limited assortment store formats geared to no-frills shopping met with solid success in many markets across the country due primarily to a widespread trading-down tendency among consumers.

While overall sales for the industry barely outpaced the inflation rate, as sales rose to $179 billion in 1980, up 13.9% from 1979's total of $157 billion, the financial condition of the major chains was sufficiently robust to enable them to forge ahead with new store construction.

According to *Chain Store Age Supermarket*'s annual census survey, approximately 2,000 new stores were built by the chains in 1980, and a nearly equal number is expected to be constructed in 1981.

Industry leader Safeway opened 131 new stores averaging 37,685 sq. ft. in space, the largest number of stores the 1,947 unit (United States) chain has opened since 1974. Kroger, the No. 2 supermarket chain in sales volume, opened 118 new stores and remodeled 49 in 1980, and streamlined its operation by closing 86 stores and selling 21 unprofitable ones.

Kroger's new store growth focuses on superstores, with a 42,000-sq.-ft. prototype that emphasizes specialty departments such as in-store bakeries, floral shops, delis and, in a number of stores, sit-down restaurants.

In fact, nearly 80% of the units put up by chains in 1980 were superstores, and that figure should exceed 85% this year. The chains' superstores got bigger in 1980, averaging 35,100 sq. ft., and they are scheduled to expand to 35,600 sq. ft. in 1981. An overwhelming majority of chains surveyed expect to build bigger stores in 1981, while only 3% reported plans to scale down.

The lofty interest rates that prevailed during a good portion of 1980 appeared to put a damper on construction activity for projects that had not been finalized before the year began.

"With the rates so high, the return on investment was not worthwhile for many developers," states

Supermarkets

Capital expenditure boxscore

Average store size
22,217 sq. ft.

Average size of stores built in 1981
22,340 sq. ft.

Construction cost (with labor)
$46.65 per sq. ft.

Construction cost (without labor)
$30.15 per sq. ft.

Dominic Falagrio, store planning and development manager for Jewel Food Stores, "and we saw several back out of deals that were already in the drawing stage."

Philip G. Horton, vp real estate, construction, engineering and operations for Safeway, says that interest rates did not affect Safeway's store openings in 1980. But if the cost of money continues to hover around 20%, he states, "it will have an impact on our future store openings because we normally open about 50% of our stores in shopping centers and funds are not readily available."

Among the many other supermarket executives who say they felt the interest rates squeeze building plans this year was Gene Dampier, vp construction, equipment and maintenance for Publix, who estimates that 25% of his chain's construction plans were curtailed as a result of the prohibitive cost of money.

The stores that did go up, at Publix and other major chains, reflected what Bob Schweich, who analyzes the supermarket industry for Wertheim, characterizes as "the continuing promulgation of the one-stop shopping concept with larger supermarkets containing varying degrees of nonfood activity."

The most extreme example of the one-stop shopping trend is epitomized by the combination store. These stores combine nonfoods and foods on a 50-50 ratio, average approximately 45,000 to 55,000 sq. ft. and usually include a pharmacy.

Nearly 80% of the units constructed in 1980 were superstores

According to the FMI, combination stores accounted for 9% of store construction activity in 1980, and a study by the Allen Levis Organization shows that there are approximately 500 combination stores currently operating in the United States.

The Chicago-based Jewel chain, according to Larry Belcaster, vp construction and maintenance, is strongly committed to combinations as its primary trading vehicle for the 80's.

Jewel built seven combination stores (incorporating its Osco pharmacies) in 1980, ranging in size from 47,000 sq. ft. to 53,000 sq. ft., with one unit weighing in at 65,000 sq. ft. And, Belkaster says, Jewel plans to build 10 to 11 new combinations in 1981 as part of its $350 million capital expenditure program set up to accommodate building and remodeling through 1984.

The chain, states construction manager Falagrio, sees the one-stop shopping trip as "the way to go" in the years ahead, and subsequently plans to convert many of its supermarkets, especially those built next to pharmacies, into integrated combos.

Supermarkets General Corp., whose Pathmark stores pioneered the combination concept since the late 60's, is planning on receiving as much as 50% of Pathmark's 1981 volume from its prototype Super Center units. Three Super Centers, averaging nearly 50,000 sq. ft., were added to the chain in 1980 as part of a $67 million capital investment program and seven to 10 of the units are set for construction this year, reflecting the increase in capital expenditures to $133 million. By

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Kroger, the No. 2 supermarket chain in sales volume, opened 113 new stores, remodeled 49, closed 86 and sold 21 in 1980.

the end of 1981, Pathmark plans to have 31 Super Centers and 85 conventional units in operation.

Other chains emphasizing combination stores include Albertson's, which, incorporated with its pharmacies, opened 10 new 55,000 sq. ft. units in Texas, Alabama, Louisiana and Florida. In 1981, Albertson's plans to expand into Nebraska and the Dakotas with an as yet unspecified number of 60,000 sq. ft. combinations, according to Robert Bolinder, the chain's vice chairman.

The no-frills concept appears to have met with its greatest success in the economically hard-hit industrial belt of the Midwest. The Roundy's chain in Milwaukee is estimated to have captured nearly 20% of that city's market share, and in Boston, surprisingly, Heartland's Purity Supreme warehouse stores are making formidable inroads in that market.

The smaller (average 8,000 sq. ft.) limited assortment, or box stores, have also proved their staying power since being introduced by the West German-based Albrecht company in 1978 under the Aldi banner. Today there are an estimated 1,600 box stores compared to about 150 three years ago, and the industry leader is Chicago-based Jewel, which has 138 Jewel T stores, opening 44 last year, with 50 more planned for 1981.

A&P has turned to the limited assortment concept as one source of salvation for its continuing financial woes, and the beleaguered industry giant now has 100 Plus stores in operation, with more scheduled.

Even industry leader Safeway is positioning itself with limited assortment formats, marketed as Food Barn stores. Safeway opened 25 Food Barns in 1980, ranging in size from a 1,300 item box store to a 3,100 item warehouse store. By the end of 1981, the Oakland-based chain plans to open 35 more Food Barns, mostly in smaller, conventional stores that Safeway feels have not performed up to their earnings potential.

According to research conducted by Willard Bishop Consulting Economists, statistics indicate that market share for box stores in metropolitan areas has more than doubled during the past year. And, Bishop says, "the smaller warehouse store is converging toward the expanded limited assortment store. This process is creating a new kind of food outlet—a new competitor for supermarkets—that's much more able to satisfy the needs of a majority of shoppers."

Several "hybrid" stores were opened last year by the innovative Giant Food chain. Averaging around 43,000 sq. ft., the stores retained service departments such as pharmacies and delis, but cut down drastically on groceries, health and beauty aids, which are merchandised in a warehouse-style environment. Four additional hybrid stores are scheduled for construction by Giant in 1981.

Other new food store formats evidenced in 1980 included the New York-based Shopwell chain's introduction of its unabashedly upscale Food Emporium stores, which numbered seven by year's end, with at least two more set for 1981 construction. In Massachusetts, the Stop & Shop chain introduced its First Stop Country Market, which centers on a fresh foods country market theme, described by the chain as a "key to our future direction in all our food stores."

Perhaps the variety of format approaches that characterized the supermarket industry in 1980 can be best epitomized by developments at Safeway, the industry's leader in sales ($15.1 billion) and units (1,947).

According to George Quint, an industry analyst for Merrill Lynch, Safeway appears "to have injected a new degree of vigor into their operations during the last year." Quint characterizes the chain as "more aggressive" and felt the positioning of its new stores had taken place in a "more orderly way" during the past year as opposed to what he described as the "carelessness" of the chain in the past.

Vp Horton confirms that Safeway has been "concentrating on superstores." And, he adds, the average new Safeway store has averaged 37,685 sq. ft. in space, with 40% to 45% of the space allocated for nonfood items.

Pharmacies will be an integral feature in most of Safeway's new superstores, Horton says, with 300 in-store pharmacies planned to be in operation by the end of 1981, as compared with the 10 pharmacies Safeway had in 1979.

Safeway has also portioned off valuable square footage for 90 Natural Food Center departments-within-a-store, and the chain has plans for an additional 250 stores to have the departments by the end of 1981.

Safeway's diversification moves have won compliments from industry experts like Terence McEvoy of Dean Witter for what McEvoy describes as "making better use of their existing facilities." And, says ceo Magowan, "operating different types of stores should enable us to attract a wider customer base while retaining valuable retail sites with favorable leasing terms."

Besides the no-frills Food Barn format, Safeway has also opened Liquor Barn stores, Home Improvement Centers, and will soon debut a Gourmet Food Store geared for the upscale market.

Safeway, along with the rest of the industry, continued to pursue a vigorous remodeling program. 6.5% of all food stores were remodeled, according to the FMI, and the average total capital invested for remodeling was $300,000. ■

—**Charles Paikert**

The Home Depot, Atlanta, adopts a no-frills warehouse approach to appeal to the do-it-yourself consumer.

Building decline hits home center volume

Last year was far from a milestone for the chain home center and retail building supplies industry, as a severe decline in new housing construction tightened the screws on the contractor end of the business and ate into overall sales gains.

The top 150 companies by sales volume amassed some $10.7 billion in 1980, for an increase of only 5.5% over $10.1 billion the previous year, according to a *National Home Center News* census. In the context of a 93% improvement in sales in 1979 and a track record of huge sales gains over the last several years, this was a significant disappointment.

On a per-store basis, the leveling off in productivity was even more pronounced. The average home center among the top 150 companies boosted its volume about 1% in 1980, in comparison to a 61% jump in 1979.

Among the 20 biggest volume producers, six saw sales drop from year-before levels. At Erb Lumber, Birmingham, Mich., sales fell to $126 million from $129 million. Lanoga Corp. of Seattle experienced a decline from sales of $135 million to $129 million.

And some of the larger chains fared worse. Wickes, headquartered in San Diego, suffered a drop in home center sales to $1.3 billion from $1.4 billion in the fiscal year ended Jan. 31, 1981, while operating profits in that area were reduced to $37 million from $80 million. At Diamond International, headquartered in New York City, sales fell to $300 million from $350 million the year before; Boise Cascade of Idaho had a drop of $26 million from $382 million, and Lowe's Cos. of North Wilkesboro, N.C., saw sales decrease $25 million to $880 million.

As a result, expansion schedules hit a brick wall throughout most of the industry. Whereas the top 150 home center operators had enlarged their rosters by 78.9% in 1979, that statistic dropped to 5.5% last year, as only 248 units were added to a base of 5,044 existing stores.

Lowe's, for instance, has historically been one of the faster-growing operations in the home center industry. From 1975-79, the chain expanded from 147 outlets to 209 outlets—and 18 to 25 new units were on the boards for openings in 1980.

But by the end of last year, Lowe's counted only 214 home centers among its holdings. The reason? Sales were down, cash flow was stifled and net earnings were down 28% to $18.9 million from $25.0 million.

In 1981, Lowe's is expected to return to a hectic expansion pace with 20 to 25 openings. However, says Leonard Herring, president, that all depends on the economic climate.

Other companies, by contrast, managed to meet corporate expansion goals, or come pretty close. Ernst Home Centers, the DIY-retailing arm of Seattle-based Pay 'n Save, projected 10 to 12 new units in 1980 and came up with 11. Payless Cashways aimed to complement its 69-store roster with nine more stores in 1980, and the chain did what it set out to do.

But only five companies, including Ernst, were able to expand their store counts by more than 10 units in the past year. One, Wickes, accomplished this largely through its acquisition of Gamble-Skogmo, a diversified retailing concern. The others were 84 Lumber, Evans Products and W. R. Grace.

84 Lumber, based in Eighty-Four, Pa., launched 38 new units last year, to bring its total up to 328. The chain is aiming for 400 outlets by the end of 1981, and is expected to concentrate most of its future growth in areas west of the Mississippi.

Grace boosted its roster by a total of 24 home centers in 1980. Eleven of these were added through two acquisitions—that of the 10-unit

Home center

Capital expenditure boxscore

Average store size
27,364 sq. ft.

Average size of stores built in 1981
27,000 sq. ft.

Construction cost (with labor)
$46.53 per sq. ft.

Construction cost (without labor)
$23.70 per sq. ft.

Cashway Home Improvement group in El Paso, Tex., followed by the purchase of a single Western Home Center, which was absorbed into Grace's Angels California group.

The remaining 13 new outlets were internally generated, serving to beef up Grace's various operating divisions—Handy Dan/Angels, Green/Harris, Handy City, Channel and Orchard Supply. The company now owns some 250 home centers, good for about $700 million in annual sales.

The retail division of Evans Products, Braintree, Mass., expanded to 345 units from 328 units and grossed $632 million in sales in 1980. Four home center outlets came onstream by way of acquisition, and another 18 were built from the ground up, for a net gain (after store closings) of 17 units.

Those who did manage to build from within surmounted some pretty lofty expense structures. Industry estimates place total start-up costs for a typical home center in the neighborhood of $1 million to $2 million, depending on the price of land and construction in a given region. On a national basis, construction costs alone add up to about $4.09 per square foot.

It is because of these rising expenses that home center chains are seeking to downsize their retail units. Whereas the average United States home center does business in about 25,100 sq. ft., new stores are approximating 22,500 sq. ft.—a drop of about 2,600 sq. ft. per unit.

Chains are beefing up their efforts to entice DIY customers

Rickel Home Centers, for instance, includes a number of 100,000-sq.-ft. units among its 30 outlets—but the chain has been downsizing. Since 1974, Rickel has reduced space in existing units by a total of 280,000 sq. ft., and its prototype for the 80's is a trimmer 45,000 sq. ft.

As a result, the chain's stores have increased sales per square foot to $110 from $78 five years ago.

Of course, not all home center chains started out with such large stores, and many of the smaller-unit operators are increasing selling space in order to add new departments or beef up existing ones.

Hechinger of Landover, Md., is also defying the downsizing trend. The chain operates not only some of the largest home centers, at 60,000 sq. ft. of selling space, but also some of the most attractive. The result is that Hechinger has been able to compile five-year compound growth rates of 24% in sales and 45% in earnings—on the basis of an all-consumer business.

In fact, many a home center chain has begun to lean more in the direction of the consumer, as opposed to the contractor. The contractor side of the business was always a cyclical one for building supply retailers—but in the last couple of years, rising inflation has shot interest rates through the roof and depressed new housing development.

Yet that same inflationary spiral has increased the number of do-it-yourselfers. As a result, chains have been intensifying their efforts to corral the consumer through appealing shopping environments, imaginative fixturing, increased advertising and higher service.

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At Lowe's, for instance, 17 stores were retrofitted last year with the chain's "RSVP" (for Retail Sales Volume and Profit) consumer sales floor layout, in an effort to improve its 48%-52% consumer sales-to-professional sales ratio. While management says that it is too soon to pinpoint the effect of the remodeling program, it has enough confidence in the concept to slate an additional 98 retrofits through 1982.

Other chains are also angling for the consumer dollar. Boise Cascade increased its percentage of consumer sales volume to 47% (or about $167 million in 1980) from 30% (or about $115 million in 1979). Erb Lumber boosted its consumer contribution to 75% from 65% in its 36 outlets in 1980. And 36-store Wolohan Lumber, Saginaw, Mich., turned a 60%-40% sales balance around last year, enabling the chain to mitigate a $36 million decline in contractor volume.

Attempts to increase consumer traffic accounted for much of the remodeling that took place in the home center sector in 1980—but certainly not all of it. Over the years, many chains have evolved from specialty stores selling painting supplies or hardware—or lumberyards—into full-fledged home center operations.

Pergament, based in Melville, N.Y., started out as a paint store chain. It was not until 1965 that it debuted as a home center operator, expanding its mix to include hardware and building supplies.

In 1979, Pergament took a second big step. Management expanded the mix again by 25%, increased the use of planogramming and brought in longer, higher gondolas. In order to incorporate both major changes, the chain has had to remodel 38 of its 44 units over the years.

Another reason for remodeling has been to achieve uniformity. Since many home improvement store chains have been built through mergers with smaller chains and purchases of single-store independents, a large number of retrofits take place in newly acquired outlets.

Boise Cascade, for example, turned its attention in 1980 to the 11 Houston-area units it had bought from Lonestar Industries. The stores were transformed from Cashway and Stahlman Lumber outlets to Boise Cascade Building Materials Centers through refacing and remerchandising programs, giving the group a common identity with the chain's Dallas-area holdings.

The story was much the same in Wickes' Irvine, Calif.-based Builders Emporium operation. The group's expansion to 57 outlets in 1980 included the acquisition and conversion of six Cooper's home centers. In this case, the acquired units were stripped down to fit Builders Emporium's low-overhead, heavily promotional formula.

Wickes was the biggest buyer in the market last year. The diversified company's purchase of Gamble-Skogmo netted it a total of 41 company-operated home centers, including 38 Gamble Stores and three Howard Bros. units.

Diamond International did it the hard way, buying five units in five separate transactions. These stores, located in Longmont, Colo.; Sarasota, Fla.; Twin Falls, Idaho; Vancouver, Wash., and Riverton, Wyo., increased the chain's roster to 126 units.

Evans, Erb Lumber and Minneapolis-based Plywood Minnesota each acquired four stores in 1980, and Wolohan Lumber bought the two Pease Home Improvement Centers in the Cincinnati area late in the year.

Where does the industry go from here? That all depends, analysts say. If the switch to an increased percentage of DIY sales can be made, the outlook is a good one. But to the extent that home center chains rely on contractor business, their fortunes will fluctuate with those of the housing industry. ■

—Michael Friedman

ANGELS
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Thank You for Shopping ANGELS

The average home center among the top 150 companies boosted its volume a disappointing 1% in 1980.

SUPPORT SYSTEMS

The reports on physical support systems provide region-by-region data on expenditures by various types of retail chains on the basic components of new stores. In addition, innovative applications and creative approaches to store planning and construction are detailed in the 16 different categories of equipment and material.

Efficient temperature control

Energy efficiency is still the watchword when engineers and cost-conscious supermarket executives talk about refrigeration.

This continued emphasis on energy efficiency is hardly surprising, considering that refrigeration accounts for 50% to 60% of the average supermarket's utility bill and that utility bills have gone up an estimated 15% for supermarkets in 1980.

During the past year, breakthroughs in electronic technology have been at the forefront of the battle to gain an edge in energy control over refrigeration systems. Improved sensitivity in solid state electronics as well as the increasing use of computerized microprocessors to regulate and monitor refrigeration machinery have done much to contribute to energy efficiency, according to industry experts.

Computer-based advances are speeding the industry's progress toward total energy management.

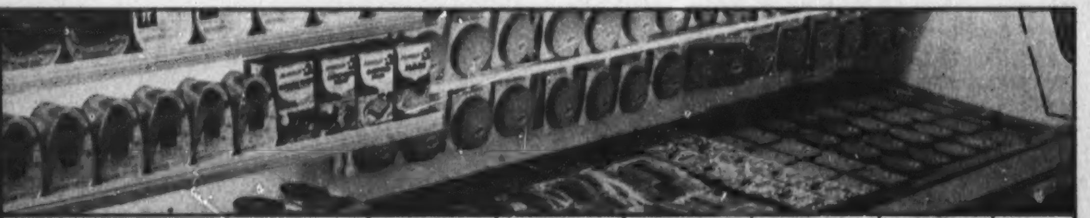
Among the most prominent of the electronic developments has been the case temperature regulator valve that controls case temperature by modulating evaporation pressure to maintain the set point temperature. Manufactured by Alco Controls for several refrigeration companies, the case temperature regulator (CTR) takes advantage of solid state technology to take the temperature in the refrigeration case, process it back to an external controller, which then signals the system's valves to modulate pressure according to the temperature that must be maintained.

The controller interfaces with a timeclock which activates the defrost mechanism at the appropriate time. And a digital readout accessory enables retailers to read the case temperature at remote locations.

According to Bill Cierebiej, refrigeration engineer for Publix Supermarkets, the CTR "has proved to be very meaningful because it maintains my fixture temperatures at almost fixed levels whenever I set it. The variance is usually only half a degree, and it also evens off the running time on my machines, and keeps the temperature where they don't peak either up or down."

Cierebiej, who has been intensely involved in energy efficient refrigeration since Publix embarked

Refrigeration



Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	9.27	7.75	10.27	7.98	10.48	8.95	10.41
Convenience food	10.35	9.92	10.13	11.09	9.69	10.85	10.49
Drug	2.45	*	*	*	0.67	6.38	*

(All figures in dollars per square foot)

*Regional samples too small to be significant on an energy saving program 10 years ago, believes that the developments made in the past few years have been among the most significant the industry has yet seen. "We realized the old style controls were not efficient enough," Cierebiej says, "and I think we've been fortunate that there have been many developments in recent years to help us."

One of the most far-reaching of those developments has been the advancement of computer technology. Several major refrigeration manufacturers now offer their customers a computerized evaluation of the most efficient refrigeration system available for their particular store.

Also being offered are microprocessor based environmental control panels providing extremely accurate control of a store's temperature conditions. Solid state sensors enable the panels to digitally display temperature information and running times of heating, air-conditioning and humidity control stages.

These computer-based advances have sped up the industry's progress toward "total energy management," a concept being touted more and more frequently. The advantage of this approach, according to Dick Greene, manager of marketing services for Tyler Refrigeration Corp. is that "the energy management system can monitor, control and program data for each piece of equipment. And the computer can aid a chain in facilities management by linking individual store computers to a central location by telephone. Also, burglar, fire alarms and other critical functions can be monitored by the same computer."

Other areas of recent energy efficient-based refrigeration improvements include defrosting, heat reclaim and the increasing use of parallel compressors.

A recently introduced device by Alco Controls optically senses frost build-up on the evaporator coils of refrigerated food cases and unit coolers. It is hailed as an "important development" by Bob Heuermann, facilities engineer for Wetterau Inc., the giant St. Louis-based food distributor.

"This system actually monitors the amount of frost on the coil and defrosts only when necessary," Heuermann says. "Under the old system each module had to have a timeclock set for the worst conditions you could possibly encounter and consequently you'd have too many defrosts using additional energy. The improvements with the optical sensor is significant to us because where we've had systems set to defrost six times a day, now there are some days when we've only had to defrost once every 16 hours. The amount of kilowatt hours we use is much less, and we've found we've gotten a much better defrost."

Another recent defrost innovation involves defrosting by using air instead of hot gas lines. Gale Garland, manager of construction, maintenance and fixtures for A. J. Bayless, the Phoenix-based supermarket chain, has been using Warren/Sherer's Air Defrost cases for the past year, and asserts that they have saved Bayless "$1,200 to $1,800 per store per month" because of their energy saving capacity.

The air defrost cases are economical, Garland says, because they use reversible permanent split capacitator fan motors instead of costly high wattage heaters used for electric defrost or the large multi-compressor condensing units used for gas defrost cases. During the defrost cycle, the motors simply reverse directions to pull warm store air over the coils. The fans are controlled by a small capacitator and relay.

Heat reclamation has also been a top priority for store executives, since a basic premise in energy conversion is to avoid throwing away anything that you can use. Consequently, the increased use of parallel compressors, and the resulting energy reclaimed from them has reduced refrigeration energy bills as much as 15% to 20%.

Another development which several industry observers thought likely to emerge in the next year due to the unfolding national water shortage is a rapid rise in the use of air-cooled systems for condensers, instead of the traditional water-cooled condensers which consume as much as 140,000 gal. of water.

As to the types of cases supermarkets are likely to select, most industry observers believe the choice will remain a mixture of glass door reach-ins and open coffin cases. Publix' Cierebiej notes that Publix recently purchased glass door reach-ins with a slightly wider loading capacity that have managed to give the stores "a great deal of horsepower reduction in the same footage."

Other supermarket executives, such as Bayless' Garland have installed coffins in new stores but reach-ins in remodeled stores because of space limitations. While open multideck units remain a merchandising favorite, they are nevertheless shrinking dramatically in supermarket space because of their prohibitive energy costs. ■

Increased use of parallel compressors and the resulting energy reclaimed from them has cut some energy bills as much as 15% to 20%.

Image: key role in sales drama

Waterfalls. T-racks. Rounders. Six-ways. They may sound a bit esoteric, but they're playing key roles in the transformations of sterile discount operations into places of softwear intrigue.

Zayre's, for instance, remodeled a quarter of its 250 discount department stores about a year ago, and in the process discarded the dump tables and pipe racks on which it used to merchandise softwear. In their place, the chain brought in waterfalls and rounders, key elements in an overall program designed to lend a more contemporary touch to the sales floor.

Caldor is following the same pattern. As part of its apparel remerchandising effort, the chain is using waterfall racks to play up hot items and a combination of waterfalls and T-racks to display related items such as tops and jeans.

At Jefferson Ward, the discounting arm of Montgomery Ward, refixturing is taking on a slightly different character. All softwear displays in the 45 stores management expects to overhaul by early 1982 are set at different heights, to achieve a three-dimensional effort. This sets each group of merchandise apart for the customer, according to Alton J. Doody, president of the Doody Company, an Ohio-based consulting firm working with Jefferson Ward.

In an effort to combat sameness, he says, mass merchandisers must take a cue from the department store sector. "Price is becoming less important, so overall image and services become more important."

Wooden shelving is used for display of fashion housewares and small appliances in many Jefferson Ward outlets.

K mart has incorporated a similar philosophy into the new look in its own apparel departments. In its Indianapolis prototype for the K mart of the 80's, the traditional barebones fixtures have been replaced with deltas, honeycombs, six-ways and rounders.

The chain's management figures that with a more contemporary image, it can display an upgraded merchandise mix—and ultimately increase both sales and profit dollars per transaction. In the long run, the fixtures should pay for themselves.

Like Doody, chain drug merchandisers say that setting merchandise apart—distinguishing it—is essential to sales improvements. As a result, cosmetics and toiletries in drug stores are receiving department store-style treatments.

Thrift Drug, the drug retailing arm of J. C. Penney, recently introduced a new approach to fixturing in its cosmetics department. The centerpiece of that approach is a custom-designed plexiglass gondola, which can handle either pegged or shelved merchandise, or both at the same time.

Carl's Drug of Rome, N.Y., recently made a name for itself with a new prototype unit in Ithaca, N.Y., where cosmetics are displayed in two ways: On the wall, in hard plastic fixtures that offer mirrors and gravity-feed, or on new glass-and-aluminum gondolas.

In supermarkets, the effort to set merchandise apart has led to the increased popularity of the Y-shaped produce table. Says Kenny Kimble, produce director at Publix

Fixtures

Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	6.76	6.05	6.53	7.10	6.44	7.15	6.90
Convenience food	5.17	5.35	5.40	4.98	5.25	5.25	5.41
Department store	17.62	17.55	18.11	18.05	17.50	17.91	16.76
Variety	5.95	5.99	6.12	6.09	5.62	5.80	5.93
Discount	6.44	6.40	6.65	6.85	5.64	6.47	5.99
Drug	7.43	7.51	7.25	7.81	7.75	6.67	7.07
Home center	5.20	4.98	5.74	5.35	5.01	4.90	5.33
Apparel	8.54	8.69	8.74	8.39	8.61	7.98	8.30
Shoe	2.34	2.44	2.54	2.01	2.30	2.11	2.39

(All figures in dollars per square foot)

Supermarkets, "We've taken out long tables and put in Y's where we can. We like the Y's because they give us three outstanding display ends, and traffic patterns seem to have improved."

Slanted shelves also give greater exposure to produce, says Jack McGowan of the Selling Machine Inc., a retail consulting organization.

"Stand two feet in front of any gondola and look down," he says. "All you can see are the tops of packages. Some company spent a fortune for a four-color lithograph that nobody can see."

McGowan, a former director of development for Zayre's, suggests that the information and packaging be tilted up, so the consumer can see them. "If you enhance the consumer's ability to see, you enhance her capacity to buy," he says.

In other cases, chains have used wood to their advantage. Those same Jefferson Ward outlets that upscaled softwear with new fixturing designs also employ wooden shelves for display of fashion housewares. Caldor encases its support columns in natural wood for use as coffee mug displays—while elsewhere in the housewares area, wooden planking serves as a background for a mass array of appliances.

But according to Dean Levis of Harper Art, a Los Angeles-based design consultant, whose retail clients include Pay 'n Save drug stores and Ralphs Supermarkets, wooden surfaces fit the boutique better than they do the mass merchandiser.

"Wood is not practical for a mass-merchandised store," he says. "It's too expensive and it's not durable enough. You're better off using prefabricated metal fixtures."

On the other hand, Levis does see a trend toward reflective surfaces in various forms of fixturing.

"This kind of trend is more than evident in The Fashion Show [the new Las Vegas shopping mall]. All the major department stores there are using highly reflective surfaces—in showcases, on racks, in wall displays—just about everywhere," says Levis.

But there is another trend in attention-getting that has its roots in a more basic desire—the need to pack more merchandise into a given amount of floor space. Originally, "merchandising the cube" had only to do with productivity—now it means more than that.

At Zayre's, for instance, cubing is used to heighten presentation impact. In recently revamped units, gondola heights have been standardized at 72 in. with room for 4 more ft. of warehousing superstructure. K mart has pushed displays to 60 in. and even 72 in., in a plan to create a more clearly defined shopping environment.

McGowan says that consumers will respond favorably to even higher profiles than those. In the hanging mode (J-hooks and apparel hooks), they will reach for merchandise hung from fixtures up to 84 in. from the floor. In the stacking mode, 66 in. is as far as they will go with regularity, he says.

But, argues Ken Walker of Ken Walker & Associates, New York, the impact of a high profile is a double-edged sword.

"As designers, there is increasing pressure on us to get more and more merchandise on the floor. The problem in fixture design is mating capacity with promotional capability. It seems that when fixtures are made to do both, they start to grow higher. Eventually, the place starts to look like a forest."

One answer to high-profile clutter, says Walker, is better use of wall space for merchandising. "It pays to make walls as capacity-oriented as possible, so floor fixtures can be kept to a happy medium. Sometimes space is a better promotional tool than seas of fixtures."

Many retailers have decided that they would rather go sideways than upward. But there is something of a controversy as to the best way to utilize vertical space.

While some, such as Publix, the Florida-based supermarket chain, have opted to extend shelving another inch or two, so as to accommodate more shelf inventory, others have gone the other way.

"Traditionally, Pay 'n Save has used deep shelves and wide, 5-ft. aisles," says Levis of his Seattle-based client.

"Now, they're working with less merchandise depth and a smaller aisle configuration. That means they can fit extra gondolas into the store," he notes.

Still popular with drug store planners are the highly flexible, Uniweb-style fixtures, used instead of conventional pegboards. Where pegboards have a series of evenly spaced holes into which each peg fits, the flexible design has a horizontal channel. Special hooks and fasteners slide along this channel and can be adjusted to almost any position—rather than only those positions dictated by the exact spacing of the peg holes.

Although the flexible fixture is more expensive than pegboard, it has its advantages. The most important is that it allows some 20% more space for merchandise, according to a spokesman for E. J. Wright of London, Ontario. ■

With a more contemporary image, a store can display an upgraded merchandise mix and increase both sales and profit dollars.

Prevention is the only cure

The manager of a women's apparel specialty shop in Manhattan takes one look at a woman browsing through the racks and orders her—politely but firmly—to leave the store. Although she can't prove it, she knows the woman has stolen things in the past.

For some reason that only a site selector can explain, the chain has another branch a block away, so the manager sends her security cop to the second store to warn its manager. They all stand around watching the suspect and when she leaves, sure enough, they find she's taken a couple of skirts and a blouse.

She's a pro!

Most security executives and manufacturers of electronic surveillance devices admit freely that there is little they can do to foil the professional shoplifter. It's the amateurs who account for the bulk of the thefts that are the targets of surveillance systems.

Says one spokesman, the idea is to deter these would-be thieves from taking merchandise, rather than permit them to get it out the door and then arrest them. It costs too much to prosecute them. Better that they don't steal in the first place.

The large white tags of such electronic surveillance firms as Sensormatic Electronics Corp., which stick out like a sore thumb, discourage many a theft just because they are there.

Still industry statistics in general merchandise stores show that inventory shrinkage in 1980 ranged between 2.5% and 3% of sales and is rising on an annual basis.

"A store without shoplifters is a nice place to shop

Posters hanging throughout a supermarket indicate the presence of security devices.

The amount of losses attributed to shoplifting, employee theft and rotten bookkeeping systems is staggering. National Retail Merchants Association estimates that general merchandise types of stores lose about $20 million a day. Other estimates say that a total of $10 billion to $15 billion a year in all types of merchandise isn't accounted for through cash registers.

National Coalition to Prevent Shoplifting puts the figure on a more personal basis. "Shoplifting costs the average United States household $200 per year, and shoplifting prevention is the only way the cost can be reduced. Judi Rogers, director of the association, says.

She adds that whether shoplifting is combatted with more arrests and convictions, or with more guards and TV monitors, the cost to taxpayers and to customers of retail stores will continue.

As a result of this, the *Wall Street Journal* recently headlined an article: "Shoplifting Becomes A Growth Business—For Device Makers."

To date, most of the publicity given to electronic surveillance has been devoted to soft goods or apparel. The reason is simple, says George "Pete" Harbin, executive vp of Sensormatic Electronics Corp. "That's where the larger portion of the shrinkage is." It's also the highest profit maker for retailers.

The three largest makers of electronic surveillance systems are Sensormatic, Knogo (pronounced No-Go) Corp., and Checkpoint Systems Inc.

The three are now into tagging hard goods, with Checkpoint leading the way in supermarkets and drug chains.

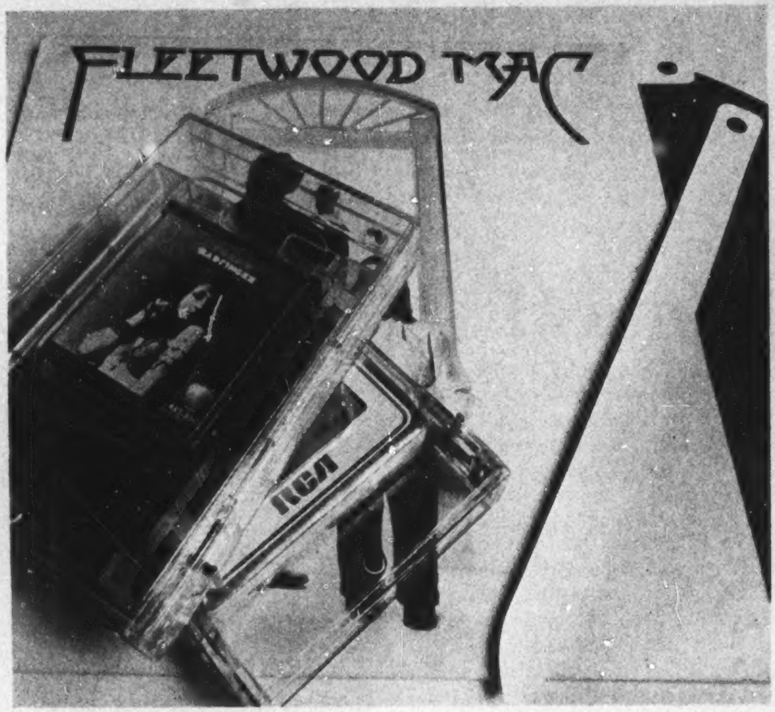
Checkpoint's device is a small pressure-sensitive label that can be disguised as a variety of tags, says Peter Stern, chairman and founder. It can say "Inspected by No. 19," or "Special Today," or be just a price label. To shoppers it looks like an ordinary label. It could even be a hangtag.

The difference between these label devices and the other devices is that the others—usually large white plastic items—are so obvious. With Checkpoint, the would-be thieves don't know what to look for.

Security

Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	0.56	0.54	0.63	0.59	0.57	0.49	0.59
Convenience food	0.59	[illegible]	0.67	0.64	0.58	0.51	0.60
Department store	0.68	0.79	0.83	0.69	0.61	0.49	0.52
Variety	0.59	0.76	0.76	0.62	0.59	0.44	0.45
Discount	0.79	0.89	0.91	0.69	0.81	0.67	0.76
Drug	0.39	0.34	0.41	0.39	0.42	0.32	0.38
Home center	0.35	0.32	0.41	0.40	0.39	0.31	0.39
Apparel	0.31	0.17	0.25	0.21	0.24	0.21	0.23
Shoe	0.44	0.40	0.48	0.41	0.50	0.40	0.46

(All figures in dollars per square foot)



Sensormatic has developed a device that can be attached to small appliances, records, tapes and cassette players.

One of Checkpoint's devices has been in supermarkets for two years, and used primarily on meats, cheese and health and beauty aids. It's been tested for 18 months at a Giant Food Store in the Baltimore-Washington area and, according to Ronald Cook, director of loss prevention of that chain, the reduction in shrinkage has been ½ of 1%. The chain is so pleased, he says, it plans to add the device to another four stores soon.

The next generation of devices will be labels concealed inside the products, such as tapes and records, says Stern, who notes that his devices are in many record stores. "We keep the potential shoplifter guessing," he says.

When a customer walks into a store with Checkpoint devices, he sees a graceful sensing screen in the form of loops or antennae. Customers are reminded in many ways—posters, badges, shelfhangers and audio announcements—that "A store without shoplifters is a pleasant place to shop." This tells the customers that there are devices about, but it doesn't identify them.

Knogo has developed its "universal" electromagnetic system, which can be stuck on cans, bottles and boxes with instruments that resemble those used to put price tags on merchandise. Currently, it's being marketed in Europe, but a company spokesman says it's expected to make its United States debut "momentarily."

Sensormatic—a company utilizing microwave devices—has developed Censor Tag, which can be attached to packaged items and small appliances, such as records, tapes, and cassette players, which formerly had to be chained or locked in reinforced glass cases. The tag is disguised as a price ticket with a bar coding and can be customized to carry any message or price information.

This item has been in the testing stage for the past several months and was finally introduced to the general market a few days ago.

For whatever reason, would-be customers of almost any large purchase prefer to touch the merchandise before they commit themselves to the transaction. Thus, freeing the articles from cases makes the sale easier.

The price of Censor Tag ranges from about 8 cents to a high of 15 cents, but Sensormatic is working on another system to reduce the price further, says vp Harbin. The key to getting acceptance in supermarkets or drug chains is devices that cost only a penny or two. Sensormatic is testing such devices, but they won't be generally available before another year, says Harbin.

Knogo's electromagnetic system also can be used in bookstores and libraries. The paper-thin strips can be deactivated when a book is checked out and reactivated when it is returned.

Generally, electronic surveillance systems can be bought at prices ranging from $3,500 to $11,000, with a reusable tag selling for $1 or less. Equipment and tags can be rented or leased, and many stores are renting, rather than buying. ■

DURACELL
SAVER PACK

Small pressure-sensitive labels can be disguised as ordinary price labels, hangtags or inspection tickets.

Second thoughts on flooring

Marshall Field is committed to the use of separate carpet cushion rather than the glued-down type of padding.

In making the proper flooring specifications, the store planner at any retail chain is faced with a number of tough choices:

Soft floors or hard floors? Is wood flooring preferable to carpeting or tile? Should esthetics be the prime consideration, or is the lowest initial cost or lifetime durability a more important priority? And what sort of maintenance program should be instituted to protect a company's important flooring investment?

While vinyl asbestos tile is still the standard in many drug stores, supermarkets and discount stores, a number of other retailers (including some of the upscale mass merchandisers) are now considering a handful of alternatives. These include vinyl composition, hard wood or marble floors, carpeting, quarry or studded tile and terrazzo.

In fact, this move toward substitutes has been fueled by the highly publicized controversy over the health hazards posed by asbestos. That petroleum-based flooring substance had been considered inexpensive, durable and easy to maintain, but significant cost increases have forced some store planners to have second thoughts.

To counter these adverse market conditions, manufacturers such as Johns-Manville are arguing that asbestos is really a safe and cost-effective solution in the flooring area. For example, in its "Take another look at asbestos" campaign, the Denver, Colo.-based Johns-Manville points out that asbestos is now "locked in" on its products, and that compliance with proper work practices, industrial hygiene and regulatory standards should prevent related health risks.

As for vinyl composition, said to be more expensive to install than its asbestos counterpart, retailers report potential savings over the life of this flooring alternative. That's because composition is easier to wax and finish than asbestos, a maintenance benefit that can really add up through the years.

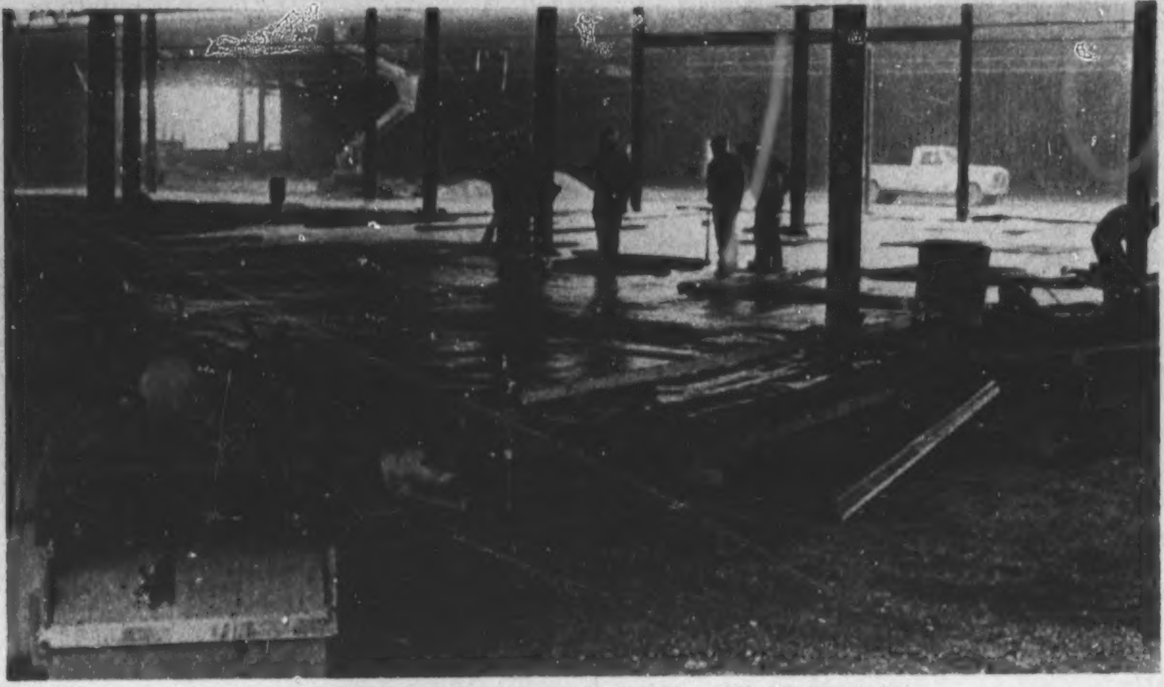
Besides vinyl asbestos and vinyl composition, store planners are also experimenting with other so-called hard and soft flooring approaches, including:

- **Hard wood floors,** which store planners are now using as a carpet substitute in many department and mass merchandise stores.
- **Marble.** This elegant finishing is still beyond the reach of most capital budgets (except for certain department stores and fashion malls), although products are now coming on the market that promise to save retailers 33% to 50% over conventional marble.
- **Synthetic rubber flooring.** One

Flooring

Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	1.04	0.80	0.81	0.41	1.20	1.14	0.96
Convenience food	0.72	0.60	0.67	0.77	0.80	0.57	0.72
Department store	2.48	2.35	3.25	3.48	2.25	2.25	1.80
Variety	0.99	1.11	1.13	0.93	1.07	0.91	0.97
Discount	0.83	0.95	1.00	0.81	0.67	0.86	0.84
Drug	1.06	0.85	1.18	1.00	0.99	1.27	1.03
Home center	1.08	1.10	0.95	0.89	1.04	1.20	1.11
Apparel	1.39	1.27	1.48	1.35	1.51	1.21	1.41
Shoe	1.02	1.12	1.02	1.05	0.99	1.19	1.00

(All figures in dollars per square foot)



Esthetics, cost, durability and maintenance affect the retailer's choice of flooring material.

of the nation's premier developers is already using this solution in a Midwestern mall, but an outside consultant, who acknowledges this may be the coming thing, still says the synthetic price tag is too high for widespread application.

- **Carpeting,** the old standby for apparel departments, has been losing some ground to hard wood floors but gaining space from the tile alternatives. One controversy surrounding carpeting has to do with the use of padding; some laud its advantages while others minimize them.

As for hard wood floors, proponents concede that its initial cost may be higher than carpeting but insist that hard wood lasts longer, thus yielding the better ultimate cost per square foot. This is because the wood can be imbued with a tough acrylic so its surface holds up even under the wear and tear of heavy traffic.

In addition, hard wood is said to be easy to install and maintain, and some versions now on the market are available with a foam backing, which insulates the wood and also provides a sound and vapor cushion.

Meanwhile, some department store planners and mall developers are experimenting with another upscale look, namely marble. This elegant and long-lasting flooring approach had been considered too costly, but recent innovations promise to lower the cost yet maintain the high quality of the surface.

In particular, Quarella (96% natural marble) is now being marketed by the Wilmington, Del.-based Landis Marble Inc. at about a third to half the price of regular marble. The Quarella process consists of bonding marble pieces, cements and polyester resins into a homogeneous block, and the end result reportedly yields better strength, uniformity and durability than the traditional marble.

Retailers are showing an increased interest in preventive maintenance

Still another surface alternative is 100% synthetic rubber flooring. In fact, the Edward J. DeBartolo Corp. recently installed 17,000 sq. ft. of this covering at its Southern Park Mall in Youngstown, Ohio.

Factors that went into this purchasing decision reportedly included esthetics, ease of maintenance, installation flexibility and durability (the product comes with a 10-year warranty against wear). This rubber surface was installed over an existing terrazzo floor, and its raised pastille design requires only dry brushing and occasional wet sponging.

Finally, there's the area of carpeting and carpet maintenance. Among the reasons for choosing this soft flooring alternative over hard floors are that:

- It's durable and relatively easy to maintain.
- It's less expensive than either the hard wood or quarry tile surfaces.
- It creates the proper ambience in which to sell apparel.
- It offers the store planner greater flexibility when it comes time to remodel or make even a minor decor change.

Adds one carpeting consultant: "Trends in styling [in the carpeting area] haven't changed that much in the last five or six years, except that carpeting has become more expensive and people are experimenting around."

However, "with business tightening up, retailers try to perk up their stores in new ways, and that means brighter colors as well as a major effort to promote maintenance."

Besides an increased interest in preventive maintenance, chains such as Marshall Field & Co. are looking to cushioning as a way to protect their flooring investment, reduce in-store noise levels and upgrade the look of special departments.

Some experts, though, favor the glued-down approach over carpet padding, while still another manufacturing source says it depends on the particular application. ■

According to one study, supermarket scanning installations doubled in 1980 to 3,300.

Focus on electronic POS systems

It seems fitting that the front end of retailing, the ultimate focus of a store's business activity, should currently be the focus of intense industry scrutiny.

The most significant developments at the front end, of course, have been the electronic point of sale system (POS) and scanning.

Due to the heavy amount of front-end volume generated by groceries, the supermarket industry logically has been the leader in the acceptance and adoption of POS and scanning. That trend remains strongly in evidence, as nearly all supermarkets now have electronic terminals, and, according to a just-released study by the Food Marketing Institute (FMI), the number of scanning installations in the industry doubled in 1980 to 3,300.

In addition, the FMI study noted, 13% of the surveyed companies said they expected to have scanning in all of their stores by the end of 1981.

Although Safeway, the industry leader, remains a notable exception to a full scanning commitment, the consensus among industry observers is that the tide toward nearly total supermarket scanning by the end of the 1980's is irreversible. Although the price of having a scanning set-up installed is far from cheap (current estimates range from $11,000 to $15,000 per unit) prices have remained relatively stable, and most experts foresee a leveling-off or drop in scanning cost.

The question, then, facing the supermarket industry is no longer whether to scan, but rather, as Bill Simpson, director of operation research for Marsh Supermarkets puts it: "How do we utilize the data that we've accumulated from scanning?"

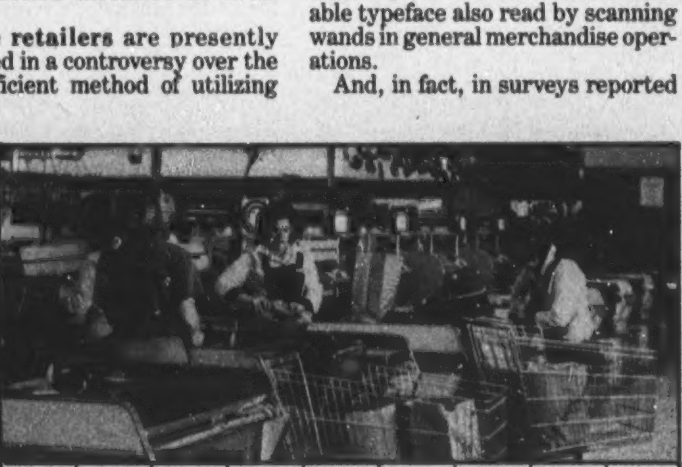
Other retail segments are catching up with supermarkets with regard to POS and scanning installation as indicated by a recent survey taken by Touche Ross & Co. of leading discount, department and specialty stores, which revealed that 81% of the surveyed chains have POS systems installed in their stores.

These retailers are presently embroiled in a controversy over the most efficient method of utilizing their systems' ability to read and record item marking, with one recent study showing that 56% of chain executives favored the OCR (optical character recognition) marking system, while 30% preferred the UPC (Universal Price Code) identification.

However, Robert Zimmerman, national director of retail consulting for the accounting firm of Coopers & Lybrand, feels that one of the most significant front-end developments of the past year has been "the disillusionment about OCR-A tests." OCR-A is the human-readable typeface also read by scanning wands in general merchandise operations.

And, in fact, in surveys reported

Front-end



Supermarket	Convenience food	Dept. store	Variety	Discount	Drug	Home center	Apparel	Shoe
$9,199	$4,500	$5,750	$5,500	$5,505	$5,625	$4,801	$4,602	$4,064

(All figures in dollars per terminal)

With POS data, transaction trends can be analyzed and labor schedules adjusted for peak sales hours.

by *Discount Store News*, chains that installed UPC scanners at their checkouts cited dramatic cashier productivity gains, while chains testing wanded OCR systems reported that cashier errors and poor quality ticket printing reduced productivity.

One of the tests took place in Wal-Mart's 60,000-sq.-ft. store in Grapevine, Tex. Using the UPC system, the store increased cashier productivity by more than half, according to Robert Hart, vice president of new store planning.

(In another front-end development, the Wal-Mart store in Grapevine tested bagwells at the checkouts, and found that checkout time speeded up 25%, according to vp Hart. While initially worried about the space for the well, Hart says that Wal-Mart found it wasn't necessary to lengthen the checkouts.)

By contrast, testing at the Roses chain found quality control of OCR tickets to be a "problem." The scanning equipment did not always read the OCR tag on the first pass, and cashiers had to visually check electronic displays after wanding the item, slowing down the checkout appreciably.

While a UPC printer costs about $6,000 compared with $2,000 for an OCR printer, Wal-Mart says it has found the UPC equipment to be useful for nearly all its merchandise and expects the equipment to pay for itself in 18 months.

Since the UPC-OCR controversy is holding up the marking of merchandise, an increasing number of retailers are calling for some sort of standardization. In response, the National Retail Merchants Association, which helped develop OCR, and the UPC Code Council have formed a technical advisory group to work on the problem. One possible solution may be the development of a Universal Vendor Marking (UVM) system, which is now being implemented by a number of manufacturers.

In the supermarket industry, retailers are facing myriad possibilities in utilizing their POS data. One of the most frequently cited uses is improved labor scheduling, since data can indicate the time that customer transactions take place. Transaction trends can be continually analyzed, and labor schedules can be constructed based on the number of items purchased per time interval rather than on dollar sales.

Coopers & Lybrand's Zimmerman also feels that improved control over promotional merchandise is another area where POS data will provide a major benefit to retailers. "It's extremely important for retailers to know how they are doing with these items as soon as possible," he says, "and POS enables them to quickly and accurately identify what is moving."

In addition, retailers and industry experts like Zimmerman and Dick Furash, national director of food services for Touche Ross & Co. cite other uses for scanning data such as better shelf allocation control; better control and information regarding the impact of price changes; more accurate tracking of item movement; improved measures of product profitability; tighter direct-store-delivery (DSD) control; better internal security, and improved analysis of coupon effectiveness.

Several other significant developments have taken place at the front end of supermarkets. Marsh's Simpson cites the improved productivity his chain has seen from a new checkstand that stations the cashier in the middle of two conveyor belts and enables the cashier to effectively use two hands for the scanning process.

Introduced by Almor, the checkstand, according to Simpson, improves the cashier's rings per minute and places the cashier in a much more comfortable position than the traditional side station allows. The two-handed system adds approximately 6 in. to the standard 72 in. center for checkouts, but, according to the vendor, studies show that supermarkets using the stands have been able to drop several lanes altogether due to the increased productivity.

Also recently introduced in an exhibit that drew widespread attention at the 1981 FMI Convention in Dallas is a device known as Bag-O-Mat, which makes bags from rolls of paper underneath the checkstand. The entire checkstand with the Bag-O-Mat costs approximately $6,800 excluding terminal, and the bag making device alone costs $3,000. Once the need to preapply glue to the bags is eliminated, the manufacturers claim, retailers will benefit from an estimated 20% to 30% cost reduction.

Another device that drew considerable favorable reaction at FMI was National Semiconductor's "Positalker," a machine through which a synthesized voice tells the customer the price of each item as it goes through the scanner. The Positalker, according to NSC, will sell for approximately $300 per checkout lane. ■

Fighting phone systems' rising rates

The question of cost, always a major concern in the retail telecommunications area, has recently taken on added significance as equipment and rate prices continue to rapidly escalate.

Among the factors affecting telecommunications cost are:

- The Federal Communication Commission's ruling that private line phone service could be increased by 16.4%.
- The apparent demise of Tel-Pac, the bulk multichannel line system that proved economical to voice and data line users.
- The restructuring and upward rate revision of the Bell System's WATS bulk user system.
- AT&T's controversial "migration" marketing strategy, a plan whereby AT&T hopes to induce large corporate customers to buy its latest-generation (and more expensive) equipment by boosting the rates and replacement costs of the company's old equipment. While AT&T says that "repricing" old equipment facilitates the replacement of obsolete machinery with systems that are less costly to maintain, many retailers contend that by arbitrarily raising the price of their present phone equipment, AT&T is pressuring them to buy a system that they don't really need.

"The bottom line," says Lee L. Selwyn, president of Economics and Technology Inc., a Boston-based communications consulting firm, "is that the bill is going up for the retail communications user."

Selwyn, who has testified in Washington before a hearing held by the House Communications Subcommittee on competition in the telephone industry, urges retailers to pay more attention to organizing more effectively so they can "get their message across."

He cites the Texas Retailers' Association as one organization that did so, and according to Mickey Moore, the association's president, AT&T's 1980 rate request before the Texas regulatory commission ended up to be "less than half of what they asked for." The key, Moore stresses, is that retail organizations obtain "good legal counsel, which is not an inexpensive proposition."

The foremost concern of every retailer, nonetheless, is his own company's operation, and companies have been hard at formulating new internal communications strategies for the future.

J. C. Penney, for example, is currently installing a satellite communications system that will allow Penney executives to participate in video conferencing and will enhance the high-speed capabilities of the corporation's voice and data transmissions.

Bob Capone, director of data processing for Penney, states that the construction of earth stations to receive the satellite communications is "cost justified" in light of the technological capacity it will provide Penney and the recent spate of upward price pressure on communications costs.

Capone cites the "tremendous impact of the FCC private line rate hike" and says that while Penney's Satellite Business System-installed service will "never take the place of the phone system, it certainly enhances it and we are most excited about the add-on capability."

Other retailers are turning to new communications systems in response to AT&T's "migration" strategy. May Department stores are gradually changing from AT&T equipment to equipment made by General Telephone & Electronics Corp. and Rolm Corp., and divisions of Garfinckel, Brooks Brothers, Miller & Rhoads have installed a computerized, electronic phone service installed by an independent company in Roanoke, Va.

According to John Woxholdt, corporate communications manager for Garfinckel, the new system will be cheaper and more efficient than the store's old phone set-up.

Other stores, though, are staying with Ma Bell, although under somewhat less than honeymoon conditions. One Montgomery Ward store, for example, is about to get a new AT&T Dimension system, but its old switchboard system, according to Richard Vande Merkt, Ward's telecommunications manager "is doing an adequate job."

The reason for the switch? The old system is scheduled for a $300-a-month rent increase.

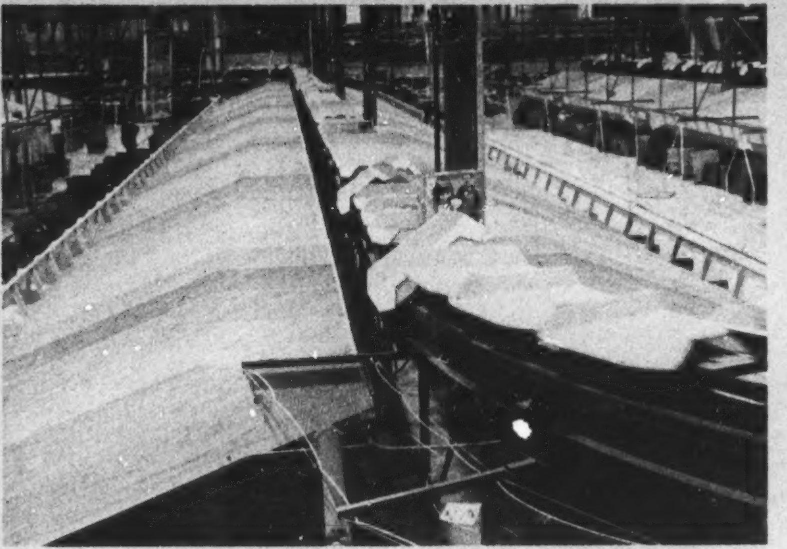
And, according to one communications expert from one of the nation's largest chains, the "migration" policy will have an even greater impact on costs for chains that do business in nonmajor metro and rural areas. "There is no competition, no MCI or UCS out there," the executive explains. "You can only do business with one company and the amount of money they want is exorbitant." ■

Communications

Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	0.51	0.57	0.56	0.50	0.54	0.46	0.48
Convenience food	0.45	0.52	0.50	0.48	0.51	0.44	0.44
Department store	2.40	2.89	2.70	2.32	2.54	2.32	2.40
Variety	2.45	2.92	2.75	2.37	2.60	2.38	2.42
Discount	0.58	0.65	0.63	0.54	0.59	0.53	0.53
Drug	0.62	0.69	0.66	0.50	0.68	0.59	0.53
Home center	1.21	0.87	0.98	1.37	1.46	1.18	1.28
Apparel	*	*	*	*	*	*	*
Shoe	*	*	*	*	*	*	*

(All figures in dollars per square foot)

*Sample too small to be significant



A microprocessor-based controller directs a belt-and-diverter system at the shipping dock.

Tracking inventory

Control. That's the word chain execs use most often in explaining why they made their moves into computer-directed systems for warehousing and distribution.

The most obvious form of control that computer systems have supplied is inventory tracking—allowing the retailer to know how much of his merchandise is in the warehouse, and to balance that stock against present and future needs in the stores. Armed with this knowledge, he can gauge inventory turnover and avoid tying up too much of his cash flow in merchandise.

What's more, it helps the retailer to supply stores with a more complete merchandise mix on a timely basis.

"Inventory can't be sold in the stores if it's lost in the warehouse," says John Tracey, vp of Ray Nelson Associates, a Stamford, Conn.-based management consulting firm. "Even some smaller chains see the need to go to more sophisticated materials handling systems for inventory control."

But it's not only stock replenishment that executives will be concerned with in the years to come, says Tracey.

"There's a trend toward total distribution control, and by that I mean the minimization of transportation costs as well as the cost of the inventory itself. A buyer has to be able to decide whether it's more cost-effective to send merchandise through the distribution center, with the handling expenses involved, or to have it direct-shipped. The algorithm that will give him that information—inventory plus transportation plus warehousing costs—has not really been developed yet."

A number of chains have programmed their computers to produce more efficient truck routes, and this has produced some savings, as well as improved service. Others, such as Alexandria, Va.-based Peoples Drug, have been loading their trucks according to computer-generated plans in order to take full advantage of the cubic space in the trailers.

"In general, chains are trying to increase their payloads," says Tracey. "Right now, the average chain is realizing only about 25% efficiency in its trucking."

In the distribution center itself, computer-directed sortation systems have gone a long way toward cutting labor costs and insuring that orders are filled accurately and completely. The chain drug store industry has been a leader in this area of computer application for a number of reasons—basically, because drug stores often require "onesies and twosies" of a given sku, rather than case quantities, and because pharmaceuticals must be shipped on a timely and highly controlled basis.

While mass merchandisers like Woolco, Pamida and T.G. & Y. move between 40% and 65% of their goods through distribution centers, drug chains have been approaching the capability of distributing the entire mix. Hook Drug of Indianapolis uses its 507,000-sq.-ft. distribution center to cut direct-shipped merchandise to less than 5% of store-level inventory; about 80% of High Point, N.C.-based Mann Drug's goods go through the chain's warehouse, and Cunningham Drug sends some 87% of its merchandise through its distribution center in Detroit.

An integral part of that capacity has been a growing sophistication. Tracey attributes the drug store sector's head start in computerization to management attitudes.

"The trend among mass-merchandisers and department store organizations has been toward emphasizing merchandising and finance. The computer systems they obtain are often oriented toward those two areas, and generally those systems don't work well in the areas of warehousing and distribution. They measure efficiency in terms of dollars, not availability of goods and the speed or accuracy with which goods are processed."

The Sav-On Drugs facility is a good example of the direction in which drug chains are moving. The chain's Anaheim distribution center boasts 4½ miles of conveyor belts, electronic scanners and an automated storage system that can handle 400,000 cases in the course of an eight-hour shift.

The Walgreen Co. of Deerfield, Ill., boasts the chain drug industry's first automatic picking capability in its Memphis and Orlando distribution centers. Two picking machines have been in the test stage for the last year or so in the 200,000-sq.-ft. Memphis facility; six more have been installed at the Orlando facility for split-pick pharmaceuticals and OTC merchandise, and plans call for additional automated picking in the chain's Windsor, Wis., center when it opens in early 1982.

In general, the supermarket industry is leaning toward increasing applications of computer technology in warehousing and distribution. However, while most food chain execs seem to see mechanization as the way of the future for the successful retailer, there is a resistance to complete automation because of the nature of the goods involved. ■

Shedding light on conserving energy

The lights are being turned off in retail stores around the country in an effort to save energy and cut overhead.

Look toward the ceiling as you walk through a discount store or supermarket. Where there were four fluorescent lamps, there are now only two. Where the entire ceiling was covered with lights blanketing the merchandise with light, one out of eight banks of lights is turned off.

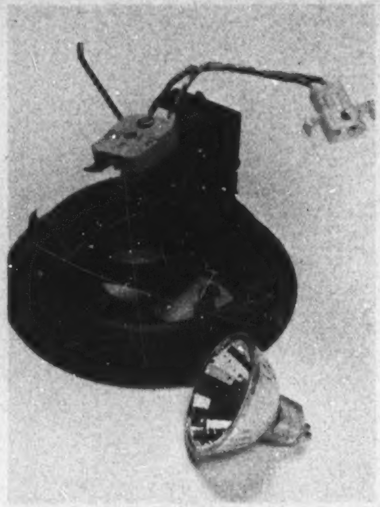
Turning off lights is only one way to save energy and costs and, even then, there are arguments on both sides as to the value of turning off lights.

Department stores, for instance, don't try to give their stores daylight lighting. They prefer fashion looks with accent lighting and, thus, resort to different uses of lighting.

Supermarkets, however, do their best to light up the stores as much as possible.

Food Marketing Institute, the association for supermarket chains, has issued a guide on energy conservation in store lighting which says: "When a light is necessary, turn it on; when it is not necessary, turn it off."

Lighting, says FMI—at 20% of a typical food store's energy use—isn't the largest energy user; refrigeration is. The difference is that the energy used in refrigeration is regulated primarily by a system of automatic temperature controls. On the other hand, says FMI, the amount of energy used for lighting is regulated primarily by people. Even with the use of time clocks, photoelectric cells and so on, if store employees are not careful in their use of lighting, a considerable amount of energy can be wasted.



Dillards is using an MR-16 quartz lamp which eliminates color distortion and fading.

In trying to conserve energy, however, care must be exercised to insure that the benefits of reduced consumption are not offset by a loss of sales.

When lighting is removed, it can have a drastic effect on productivity, says the National Lighting Bureau. It cites as an example when a Social Security Administration office building in Baltimore removed half the lamps, productivity dropped 28%. It returned to normal when the lamps were restored.

It also has effects on supermarket sales. When a supermarket removed half the lamps in its four-lamp fixture, sales dropped. When the same supermarket restored four lamps to each fixture—relying on reduced wattage, high-efficiency 8-ft. slimline fluorescents—sales shot up by 10% to 15%, according to NLB.

When Thalhimer Brothers in Richmond, Va., converted from mercury vapor lamps to color-improved fluorescents, sales increased by some $1 million a year, accompanied by significant energy savings, too, says NLB.

For fashion retailing in department stores, a number of manufacturers, including General Electric, Sylvania and Westinghouse, make a warm white, deluxe fluorescent lamp appropriate for general lighting with incandescent for accenting merchandise. Norelco by North American Philips Lighting Corp. has added its Color 80 fluorescent lamps. Until now, says Norelco, the installation of fluorescent lamps with a good color rendering index exacted an "either . . . or" penalty; increased watts per square foot or diminished light levels. Since they are compatible with existing fixtures and ballasts, says Norelco, the Color 80 series gives improved color and efficiency plus energy savings of up to 37%.

Still another manufacturer, Capri Lighting, Los Angeles, has developed a fixture which incorporates a highly efficient, low voltage quartz lamp having an integral dichroic filter/reflector that provides a tightly controlled beam. It has been tested in Dillards, a Little Rock, Ark.-based 50-store depart-

Interior lighting

Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	1.98	2.12	2.32	1.87	2.11	1.73	1.69
Convenience food	1.63	1.73	1.71	1.56	1.68	1.59	1.51
Department store	3.49	5.25	4.50	3.42	4.95	2.95	3.08
Variety	2.42	2.59	2.63	2.33	2.56	2.31	2.38
Discount	1.76	1.96	1.88	1.69	1.83	1.70	1.67
Drug	1.30	1.45	1.47	1.25	1.47	1.19	1.15
Home center	1.48	1.59	1.63	1.39	1.54	1.45	1.37
Apparel	2.47	2.58	2.61	2.36	2.54	2.38	2.42
Shoe	2.21	2.31	2.21	2.38	2.19	2.08	2.11

(All figures in dollars per square foot)

ment store chain located primarily in the Sunbelt.

"Our stores have typically been illuminated from a 10-ft. ceiling by a mixture of about 40% low glare, recessed fluorescents with warm white lamps and 60% fixed, adjustable-head, semirecessed fixtures, for merchandise highlighting, says Joseph Story, Dillards' director of construction.

"Until now, this combination provided the best balance between floor and merchandise lighting requirements, color rendition, and initial and operating costs," says Story.

But escalating energy prices forced a change in thinking. "We expect electricity costs to increase about 20% per year for the foreseeable future," says Story.

Low voltage fixtures replace conventional 150-watt PAR-38 lamps on a one-for-one basis.

"Dillards is being hurt most by its heavy dependence on 150-watt reflector type incandescent lamps," he says, adding that the 200,000-sq.-ft. Park Plaza store in Little Rock, for instance, has some 2,000 of these lamps drawing a total of 300 kilowatts.

But that's only part of the story. The heat they generate must be removed by air-conditioning during a large part of the year. Further, in new construction, the costs of wiring, conduit, panels, and the like are relatively high because of the amperage drawn by the lamps.

"Last," he says, "the costs of the reflector-type lamps themselves are relatively high in terms of their lives, and replacement labor must be factored in."

This display in Dillards' Little Rock store requires 750 watts, compared with 255 watts needed for the lighting at left.

Capri Lighting responded to Dillards' problem by developing a prototype fixture that utilizes 25-, 42-, and 50-watt, General Electric MR-16 Multi-Mirror low-voltage quartz lamps.

These were originally developed for slide projectors, microfiche machines, and similar optical equipment. They feature a small quartz bulb combined with a multifaceted dichroic filter/reflector. The reflector provides a tightly controlled visible beam while allowing some 60% of the invisible ultraviolet and infrared frequencies to pass through into the fixture housing.

The dichroic reflector, combined with a borosilicate glass lens in front of the lamp, removes approximately 99% of the ultraviolet and infrared frequencies from the light beam. This virtually eliminates color distorting fluorescence, heat damage, and color fading.

The lamp's efficiency lies primarily in its ability to concentrate light right where it is needed, with minimum spill. Beam spread is determined by the shape of the lamp's reflector facets. Types available include a narrow spot of 12° (to 50% max. CP), narrow spots of 15° and 17°, and floods of 33° and 38°.

The lamp that Dillards chose for its stores was a 50-watt 12-volt lamp with a 38° beam spread and a rated life of 3,000 hours.

Although most of the lamps are intended to be energized at 13.8 volts a/c, Capri designed the new fixture to operate at either 10 or 12 volts, which boosts lamp life fivefold or more.

Story says that the tradeoff in energizing at lower than design voltage is slightly fewer lumens per watt in efficiency. However, this is compensated for by the inherent high efficiency of quartz lamps in general, he says. "At 3,200°K, they are still more efficient than conventional incandescent lamps, and they maintain their brightness and color temperature throughout their life," says Story.

Also, Dillards is able to make a direct one for one replacement of a 150-watt PAR lamp with the new Capri fixture fitted with the 50-watt 12-volt 38° lamps with no apparent change in light levels.

"This one for one replacement was proved by having Capri make 50 of the new fixtures, which were then installed in October 1980 in one section of our Little Rock stores, replacing 50 conventional fixtures," Story says. "This test area remained as bright to the eye as the rest of the store."

"In one of those rare instances in retailing, the new lighting pleased all three aspects of store management: planning, merchandising, and operating," Story says. "Seldom does any new development make all three happy." ■

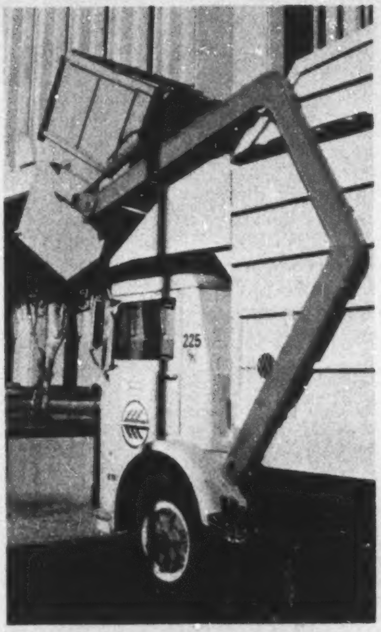
Smaller packages = larger savings

In solid waste management, the trend to recycling corrugated paper continues, as does the decreasing use of incinerators by retailers.

The experience of the 65-unit, Kansas City-based Milgram Food chain is indicative. In 1978, the chain stopped using incinerators, because, as James Fenton, director of engineering explains, "The cost of natural gas and the uncertain availability of the gas at that time was making it prohibitive."

Although the gas crisis has eased since the late 70's, Fenton says that Milgram would probably find it unfeasible to go back to incinerators even if they wanted to because of the spate of local, state and Federal air pollution laws which are designed to discourage, and sometimes outright prohibit, traditional methods of incineration. For waste "contaminated" with plastics and glass, Milgram's switched to compacting, and Fenton states that he has been pleased with the results. "I like the approach because it's a clean way to handle things," the engineering director says, "and there's a great advantage to compacting over loose hauling because you can get a lot more refuse in."

The cost of compacting, Fenton is quick to add, is not inexpensive, with the cost of a compacting machine in the $8,000 to $9,000 range. Containers for the compacted waste cost approximately $3,000 to $4,000 apiece, although Fenton says that Milgram finds it more economical to lease the containers and let the contracted company be responsible for the maintenance costs.



Retailers are relying less on loose hauling of refuse and more on solid waste compacting.

Fenton, like many other retailers, continues to find the recycling of Milgram's baled corrugated a profitable enterprise. Although still subject to price fluctuations, the variations in the price paid for used corrugated cardboard by paper mills have, according to industry observers, not been nearly so extreme as they were in the early and mid-70's.

Perhaps the most striking aspect of the market for corrugated cardboard in the past year has been the spread in price according to region. According to the "Yellow Sheet" of the Official Board Market newsletter, price quotes for corrugated in the South and West as of mid-May 1981 ranged from $45 to $50 a ton, while prices paid in the West dipped to the $30 range and prices paid in Boston, Philadelphia and New York were as low as $10 to $15 per ton.

Despite the sometimes erratic earnings on recycled corrugated, however, retailers appear to be committed to the process. Walgreen Co. switched to baling two years ago, and, according to construction director Al Langefeld, the savings have been considerable. Langefeld estimates that each store now equipped with a baler saves the chain approximately $1,500 on labor and lower hauling costs. When each store in the chain has access to baling capability, Langefeld estimates the potential savings to the chain will be close to $1 million.

Another inducement for retailers to bale and compact their waste rather than burn it or loose haul it away, aside from the stringent environmental protection laws, has been mounting landfill problem in many communities. Many densely populated megalopolises are simply running out of space for landfills. And even in market areas that still have available space, community resistance to the landfill dumps has become increasingly effective in blocking them altogether, or forcing waste management companies to place them far away from homes, thus raising the already high cost of hauling. ■

Solid waste

Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	0.79	0.81	0.85	0.72	0.83	0.73	0.77
Convenience food	0.32	0.38	0.38	0.29	0.42	0.26	0.30
Department store	0.74	0.80	0.84	0.73	0.80	0.69	0.70
Variety	0.71	0.75	0.77	0.65	0.72	0.64	0.70
Discount	0.49	0.51	0.54	0.47	0.49	0.42	0.45
Drug	0.38	0.43	0.45	0.31	0.42	0.36	0.35
Home center	0.34	0.39	0.40	0.30	0.41	0.29	0.31
Apparel	*	*	*	*	*	*	*
Shoe	*	*	*	*	*	*	*

(All figures in dollars per square foot)

*Sample too small to be significant

Overhead maintenance pays off

When it comes to the ceiling area, the new linear look is really "in"—and perhaps there's no better place to see that emerging style than in Albee Square Mall in Brooklyn, N.Y.

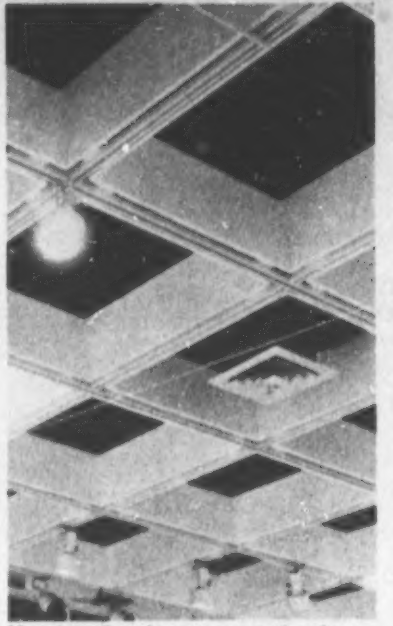
This recently opened center, the first urban mall in the New York borough in over 30 years, contains an estimated 50,000 sq. ft. of the acoustical ceiling panels in its open areas. (Albee Square is also downtown Brooklyn's first enclosed mall ever and it houses 156,000 sq. ft. of GLA and 240,000 sq. ft. overall.)

But the good news is that this look was achieved for about the same cost as an ordinary 2-in. x 4-in. lay-in ceiling panel, says a spokesman for Armstrong World Industries Inc., the Lancaster, Pa.-based manufacturer.

The pattern used in the center is scored three times in long dimension and so gives the linear appearance of four 6-in. strips. In addition, this new design combines the visual look of the linear ceiling with the economy, convenience and acoustical quality of the lay-in ceiling, Armstrong's Robert H. McKowen reports.

Besides the linear look, there are a number of other key trends in the ceiling department, including:

- An attempt to hold the line on life-cycle ceiling costs, either by stepping up maintenance efforts, making a greater initial investment for quality or substituting materials that produce the same effect.
- The use of warmer colors and an increased emphasis on "drama" in the various departments.
- Less standardization of ceiling heights, with a general shift to lower ceilings, spot lighting and even mirrors or skylights.
- The integration of systems above the ceiling, although there is still considerable tension between the desire to open spaces and close them for boutique-like intimacy.



Key trends show an emphasis on drama with lower ceilings, spot lighting and mirrors or skylights.

Many retailers are devoting more attention to maintenance as one way to hold down their ceiling costs. Says Jay R. Salinger of the Fort Lauderdale, Fla.-based maintenance firm Acoustic Clean:

"Ceilings can get dirty from everyday wear and tear, and without maintenance, they'll soon look discolored or damaged. Then the options are painting or replacing the ceiling," two alternatives that are much more expensive than simple maintenance.

It is estimated that a good cleaning job costs about half as much as a new coat of paint, while replacing a ceiling can be four to five times more expensive than maintenance. The Acoustic Clean service, a small crew that can cover approximately 7,500 sq. ft. of ceiling per day, utilizes a mist atomizing solution to clean grease, smoke and water stains. Salinger also recommends an inspection of the vents and fixtures along with the ceiling cleaning.

As for trends in colors and the overall ceiling effect, a number of store planners seem to be moving toward lighter tones and more dramatic statements.

"You see all kinds of color schemes, but there's a tendency now to [design] lighter ceilings," in part for greater lighting efficiency, comments Bud Blitzer of the Los Angeles firm Integrated Ceilings Inc.

Finally, many ceilings have been integrated with such systems as air-conditioning, sprinklers and security, all of which lead to a desire for more open space on the ceiling. However, that tendency is checked by the need to close up departments, vary the ceiling decor and create intimacy and individuality.

While there are advantages and disadvantages to both approaches, one consultant recommends freestanding or demountable systems—which provide the store planner greater flexibility. ■

Ceilings

Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	1.19	1.03	1.15	1.31	1.24	1.15	1.28
Convenience food	1.22	1.06	1.18	1.34	1.27	1.18	1.31
Department store	1.67	3.50	2.15	1.94	1.69	1.46	1.37
Variety	1.62	3.45	2.10	1.89	1.64	1.41	1.32
Discount	1.17	1.39	1.37	1.00	1.35	0.96	0.84
Drug	1.25	1.70	1.30	1.00	1.47	2.92	1.21
Home center	1.03	0.85	1.16	1.11	1.05	0.92	2.10
Apparel	1.88	2.08	2.11	1.66	1.76	1.67	2.03
Shoe	1.78	1.99	1.97	1.58	1.66	1.74	1.91

(All figures in dollars per square foot)

Illumination in the Grossmont Shopping Center has been increased 100% and energy consumption reduced 20% with Super Metalarc lamps.

HID family debate

High intensity discharge (HID) lighting seems to be the leader when it comes to outdoor lighting in shopping centers, but there is some disagreement as to what type of HID is best.

HID is the most efficient lamp there is, says one authority on lighting. It provides more light per watt of energy consumed than any other light source.

But within the HID family there is debate. "When all real costs are taken into account, high-pressure sodium virtually always proves to be the most economical light source," says Bill Breining, field service representative of ITT Outdoor Lighting, Southaven, Mass., in a published article. "That HPS is the overwhelming choice is evident as seen in the constant increase of high pressure luminaires being produced by the manufacturers of high intensity discharge luminaires," he adds.

Or:

"We are completely convinced that the low-pressure sodium lamp is clearly superior for industrial and commercial applications," says a brochure for North American Philips Lighting Corp. "We can say that because we offer both types of sodium lamps that would be logical alternatives to your present lights."

Or:

"The installation of Sylvania Super Metalarc [metal halide] lamps during an expansion that doubled the size of the Regency Square Shopping Center's North Parking Plaza in Jacksonville, Fla., has helped quadruple lighting levels while increasing power usage by only 25% per acre," says a spokesman for Sylvania, a unit of GTE.

North American Philips, which makes a low-pressure lamp called SOX, says that the light emitted by SOX lamps is suited for area lighting because it is evenly dispersed, eliminating glare and shadows.

The Maher Terminal in Port Elizabeth, N.J., chose SOX over metal halide, says NAPLC, for its hazardous handling area. The choice resulted in an anticipated lighting cost of $3,705 annually, compared with $14,483 for metal halide. In addition, Maher estimates that SOX installation reduced relamping/replacement costs by 20%.

Finally, NAPLC claims that if a chain is using mercury vapor lights in its parking lot, it's probably using 60% more electricity than necessary to do the job, and if it's using high-pressure sodium lamps, it might still be paying at least 30% too much. The most economical, it says, is low-pressure sodium.

At Sylvania, the spokesman says that the 80-acre parking area expansion and renovation project in the Regency Square Shopping Center's North Parking Plaza, Jacksonville, included replacing 60 1,000-watt mercury lamps on poles up to 40-ft. tall with 150 1,000-watt Sylvania Super Metalarc lamps on poles up to 60 ft. high. The new lamps were installed in Holophane fixtures, with the basic configuration being four per pole.

Robert C. Gillander, general manager of the shopping center, says the Metalarc lamps were selected because of their energy-saving and high-light-output features.

"Doubling the parking area and quadrupling lighting levels provide added conveniences and safety for our customers," Gillander comments. ■

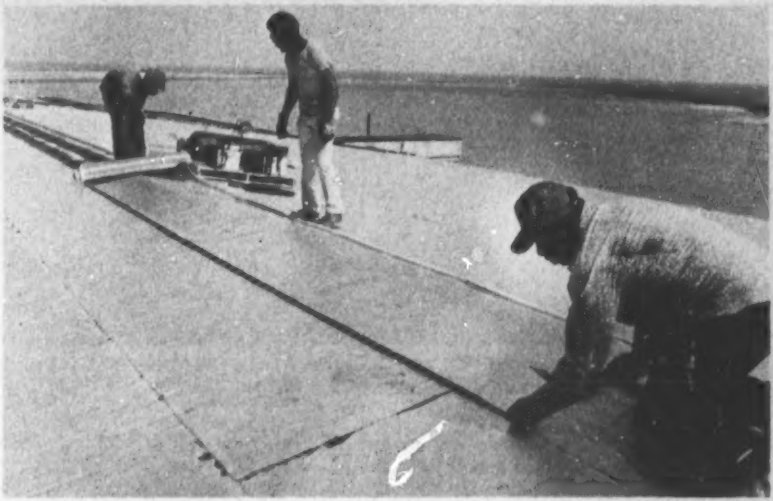
Exterior lighting

Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	1.26	1.31	1.30	1.06	1.26	1.12	1.00
Convenience food	1.29	1.33	1.34	1.07	1.28	1.08	0.99
Department store	0.82	0.85	0.81	0.76	0.84	0.77	0.78
Variety	0.77	0.80	0.75	0.73	0.80	0.72	0.74
Discount	1.03	1.23	1.10	0.91	1.20	0.89	0.97
Drug	1.12	1.35	1.20	0.82	1.19	1.00	1.35
Home center	0.65	0.54	0.68	0.77	0.63	0.49	0.70
Apparel	*	*	*	*	*	*	*
Shoe	0.75	*	0.63	0.53	0.63	0.25	*

(All figures in dollars per square foot)

*Sample too small to be significant

Roofs: no laughing matter



Retailers can expect greater savings from a well-designed roof that is correctly installed and maintained.

At a recent industry convention, one of the nation's leading roofing experts began a presentation with the following remarks:

"I'm not going to start off with a joke because there's really nothing funny about most roofs, or about the state of the roofing industry in general. There are tremendous problems from a manufacturing, architectural and construction standpoint, and I don't see a miracle drug or instant cure in sight."

That gloomy overview notwithstanding, what are some of the trends in roofing and how are retailers maintaining these roofs once they've been installed?

According to retailers and manufacturing sources, a state-of-the-industry report on roofing would include the following developments:

- Built-up roofs (BURs) are still garnering a majority of the market for both new roofing and re-roofing projects.
- At the same time, pre-engineered or metal roofs are gaining in popularity as developers choose that approach for new discount stores, strip centers and even distribution centers.
- On built-up roofs, more store planners are specifying that their roof felts be made from inorganic substances like glass fibers, although most of these felts continue to be of the traditional organic variety.
- Insulation can cause problems as it solves others, but its use has been on the increase ever since the energy crunch of the 1970's.
- As with many other physical support systems, maintenance is taking on increased importance as the cost of replacing existing roofs has shot through the ceiling.

In specifying your next roof, Clearwater, Fla.-based consultant Charles B. Goldsmith recommends going with a proven product, manufacturer and general contractor. "And don't say, 'I hired the architect, let him worry about it [the roof].' If you do that, you'll be the one holding the bucket" when the roof leaks, he adds.

Another roofing expert, Sanford Roth of Roth Bros. Inc. in Youngstown, Ohio, advises his clients that the real savings are derived from a well-designed roof that is correctly installed and maintained—and not from purchasing a built-up system at the cheapest initial cost and then paying for high operating expenses.

While built-up roofs remain the standard in both new construction and remodels, an increasing number of mass merchandising chains are now turning to metal roofs, the pre-engineered alternative.

For example, retailers like K mart, Wal-Mart and Duckwall-ALCO have experimented with the metal roofing, either for their stores or distribution centers. And other discounters and strip center developers are expected to follow suit in the coming years.

Advantages to this approach are said to include more predictable costs and quality, faster completion times, ease of installation or operating savings and greater flexibility at remodeling time. ■

Roofing

Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	2.27	2.04	2.17	2.03	2.45	2.30	2.02
Convenience food	2.30	2.06	2.20	2.06	2.44	2.39	1.99
Department store	2.37	4.00	2.75	2.80	2.20	2.30	2.40
Variety	2.39	3.96	2.69	2.75	2.17	2.24	2.36
Discount	1.85	1.60	1.83	2.00	1.85	1.07	2.68
Drug	1.94	1.84	2.11	1.70	2.10	1.85	2.15
Home center	1.70	1.58	1.81	1.77	1.78	1.60	1.73
Apparel	0.71	0.59	0.65	0.61	0.67	0.60	0.61
Shoe	1.60	1.47	1.62	1.49	1.76	1.51	1.52

(All figures in dollars per square foot)

Signs: stores' 'silent salesmen'

Individually lighted letters are more than ever becoming the byword in storefront signage. Increasing numbers of mall developers are requiring that their retail tenants use this form of presentation to lend an upscale image to the mall—and even where it is not required, retailers are opting for individually lighted letters in order to get their message across to the consumer.

Most recently, the hard plastic that has been employed to encase the letters is giving way to polished metal.

"Retailers are getting away from colored plastic to stainless steel, copper or bronze," observes Henry Wolf, chief marketing officer for Arrow Sign Co. in Chicago. "Natural, polished metal casings are more expensive, of course, but they pay off in the long run. They don't just lay there—they pick up the light and reflect it. It makes a more dramatic impression on the shopper."

When those letters are out of doors, however, steel, copper and bronze may be unsuitable because of their tendency to corrode. B. Dalton Bookseller, for instance, has used aluminum casings from Blair Sign Co. in some of their coastal California outlets, where the salt air wafting in from over the Pacific Ocean prohibited the use of other metals.

In fact, the elements are often a problem for those who purchase signs for retail chains. White neon, for instance, is generally considered to be the most cost-effective medium for lighted letters, providing at least 60% more light output than colored neon.

ZALES
JEWELERS

Individually lighted letters lend an upscale image to storefronts in an enclosed mall.

But in colder climates, the mercury that provides cooler colors in white neon systems is affected to the extent that the light levels drop drastically. As a result, many businesses have gone the route of letters in warm colors such as orange and red, which contain only neon gas and are unaffected by lower temperatures.

Wind is another problem that confronts retail sign users. In Petoskey, Mich., for example, K mart watched a single pylon sign blow out several times under the onslaught of high-velocity winds.

K mart executives decided to try a more flexible sign face, manufactured by Panaflex, instead of the rigid faces it had been using. The flexible sign face worked, according to a spokesman for the chain.

Back inside the store, retailers are searching for more eye-catching signage, in order to make up for the decreasing numbers of sales floor personnel caused by budget slashes. As the trend toward self-service picks up momentum, signs become increasingly important as "silent salesmen."

One mechanism that appears to fill the bill is the Promo-Motion unit from Kason Industries, Binghamton, N.Y. The unit was tested recently in the appliance areas of a major department store chain over a 30-day period, with these results: in those departments tested, total unit sales increased more than 100% over departments in similar stores where only static signage was used. The greatest improvement was in sales of lower-ticket appliances, which sold through 170% faster.

The Kason system features as many as 3,500 characters per precoded computer chip, and the characters can be presented in uppercase and lowercase, as well as in variable widths. They stand 2 in. high and are legible at a distance of 150 ft. Messages can be run at variable speeds, or flashed on and off.

The idea, according to a spokesman for Kason, is "to inject more dynamics into self-service selling. The electronic unit lends motion to selling messages right at the point of sale, calling attention to featured merchandise."

Federal Sign of Burr Ridge, Ill., is marketing another kind of electronic system, one designed for use in major malls. This unit is designed to provide all kinds of information, including advertising for tenants, to the consumer. ■

Signage

Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	0.60	0.72	0.74	0.53	0.66	0.49	0.51
Convenience food	0.48	0.60	0.60	0.50	0.59	0.41	0.48
Department store	0.37	0.46	0.46	0.33	0.40	0.29	0.32
Variety	0.32	0.47	0.46	0.32	0.42	0.32	0.30
Discount	0.71	0.80	0.77	0.64	0.73	0.58	0.70
Drug	0.56	0.66	0.56	0.47	0.59	0.43	0.59
Home center	0.54	0.41	0.57	0.48	0.59	0.52	0.62
Apparel	0.82	0.87	0.90	0.73	0.80	0.68	0.95
Shoe	0.82	0.83	0.85	0.78	0.82	0.73	0.86

(All figures in dollars per square foot)

Machine maintenance: easy does it

Labor's share of maintenance costs is currently hovering around 90%, say retail executives and manufacturers involved with store management.

And as labor costs continue to soar, one of the primary areas of interest in the maintenance field is making the floor cleaning machines as easy to operate as possible.

"I think you're seeing this throughout the industry," states John Lobbezoo, product manager for Clarke, a leading manufacturer of maintenance equipment. "The whole idea is to make the operator training a simple one, so companies are designing machines to be handled with greater ease, and are also making instructions in different languages, such as Spanish.

"We're also trying to make the machines easier to maintain," Lobbezoo says, "so retailers don't get stuck with a lot of down time. As a result you're seeing a lot more modular parts now that can pop in and out without much difficulty. By doing that we also hope to cut down the cost of labor to service the machines, which can be extremely costly."

According to Mike Fallon, maintenance supervisor for the J.C. Penney store in Bellevue, Wash., the latest generation of maintenance equipment he has used has proved to be simpler to operate and easier to maintain. "We moved from an old building about a year ago and bought new equipment when we made the move," Fallon says. "The older equipment was continually breaking down, and fixing it was costing us a lot of time.

With labor costs rising, retailers are looking for easy to maintain floor cleaning equipment.

"We found that with the type of equipment manufacturers have recently introduced," Fallon continues, "we're getting the job done in half the time and serviceability has noticeably improved."

Lloyd Clater, support system and fixture buyer for the H.E. Butt supermarket chain of Corpus Christi, Tex., stresses the human aspect of the labor problem. "Maintenance is always a headache," Clater says "The problem is not in the chain or the machinery, it's the people who are actually doing the work. And if they can't do a good job, then you're just not going to have good results."

Clater applauds the efforts of manufacturers who are emphasizing simpler operation of their machines. "The easier they are to operate, and they are getting that way, the easier it is for us."

Another development in maintenance has been the advancement of dry-cleaning methods for carpets, which, according to Clarke's Lobbezoo, is currently attracting considerable attention among retailers. "They're interested for two reasons," Lobbezoo says. "First, there's the humidity factor that affects a lot of stores and forces them to wait a long time while they're waiting for their shampooed carpets to dry. And secondly, a lot of problems associated with traditional wet cleaning are eliminated, such as mildew and shrinkage."

In addition, the following trends in retail floor maintenance appear to be continuing:

- The increasing number of chains who are reverting to inside maintenance staffs as opposed to using outside contractors.
- The acceleration of preventive maintenance programs. Several executives stressed the importance of common sense measures relating to wiring, equipment and storage that could translate to thousands of dollars a year in savings. ■

Maintenance

Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	1.25	1.33	1.39	1.19	1.21	1.17	1.29
Convenience food	1.57	1.61	1.68	1.59	1.42	1.48	1.56
Department store	0.84	0.89	0.91	0.79	0.86	0.79	0.85
Variety	0.73	0.77	0.79	0.69	0.74	0.66	0.73
Discount	0.65	0.66	0.71	0.62	0.66	0.58	0.62
Drug	0.61	0.64	0.67	0.59	0.57	0.55	0.63
Home center	0.65	0.66	0.68	0.69	0.58	0.52	0.67
Apparel	0.76	0.80	0.83	0.71	0.74	0.69	0.77
Shoe	0.92	0.95	0.98	0.87	0.89	0.85	0.93

(All figures in dollars per square foot)

Energy monitoring is part of the answer

In November 1980, Walt's Food Center installed a new load control device (for its compressors and other systems) in one of its 30,000-sq.-ft. grocery stores in Homewood, Ill., a suburb south of Chicago.

That system—which includes time-of-day, duty cycling and demand limit control capabilities—has a payback period of approximately a half a year. And in the first five months alone, Walt's realized a savings of $13,000 and later decided to install the same control device in its other store, a company spokesman says.

With heat reclaim, heat from refrigerator cases is recycled and pumped back into the store.

More specifically, the Illinois grocer was able to reduce its electrical bill in that first store by 20%, as its demand level plunged from approximately 350 k.w. to 250 k.w. In addition, the supermarket has 145 h.p. compressors that use gas, and its electric rates—including taxes—are about 4.3 cents per k.w.

Clearly, careful attention to upkeep of compressors and other HVAC units is one of the reasons why Walt's has enjoyed such success in its energy conservation efforts. Says John Lagestee, president, "It is imperative that we keep all of our equipment in good running condition," adding that a local heating firm regularly services the hardware to keep it running properly.

Red Owl, a Minneapolis-based grocery chain, and specialty retailer General Nutrition Corp. of Pittsburgh have also seen good results with their load control systems, but that device is not the only major news in the HVAC field. Other developments relating to heating, ventilation and air-conditioning include the following:

- **Supermarketers** are still trying to find the proper balance between HVAC, refrigeration and other physical support systems, not an easy task because savings in one area can lead to bigger losses in another.
- **Other general merchandise** retailers are increasingly willing to invest in more expensive HVAC equipment if those heating and cooling systems promise substantial operating savings later on.
- **In enclosed malls** or strip centers, where tenants may not have control over their HVAC systems, there is some movement away from individual roof-top units back to centralized heating and cooling.
- **As chains gain more experience** with the new HVAC systems, they are also beginning to realize that better hardware is only part of the answer. Other ingredients in successfully controlling heating and cooling costs include improved monitoring of energy results by headquarters—along with training programs for store managers and in-store employees.
- **Better housekeeping** is likewise receiving more attention from store engineers, not only before new systems installed but also afterward. Such no-cost or inexpensive measures can reduce utility bills by approximately one-fifth, a study shows.

In any discussion of heating and cooling systems, it's important to keep in mind that HVAC expenses can vary greatly by retail segment or region of the country (see chart accompanying article). In addition, another factor explaining the variable costs in systems is that different stores operate on different fuels—for example, electricity is more expensive than either gas or oil, although electricity is said to have other offsetting advantages.

But regardless of the fuel source, region of the country or retail segment, this much is certain: heating and cooling costs are rising at a staggering rate. In an effort to stem those increases, chain engineers are walking a tightrope, striving for HVAC improvements that won't end up costing them in other operating areas. ■

HVAC

Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	2.25	3.28	3.82	3.34	3.80	3.41	3.01
Convenience food	2.28	3.31	3.84	3.38	3.82	3.45	3.02
Department store	4.09	3.80	4.13	4.31	4.50	4.50	3.78
Variety	4.05	3.77	4.08	4.24	4.46	4.45	3.70
Discount	3.12	3.48	3.50	3.50	3.09	3.05	2.59
Drug	3.26	3.61	3.70	4.09	3.33	4.58	4.01
Home center	3.24	3.52	3.85	2.60	3.55	3.18	2.95
Apparel	3.40	3.59	3.72	3.36	3.30	3.29	3.96
Shoe	3.39	3.62	3.79	5.16	3.40	5.41	2.50

(All figures in dollars per square foot)

Conservation: a critical issue

In 1974, Tom B. Banks learned firsthand about the need for energy conservation.

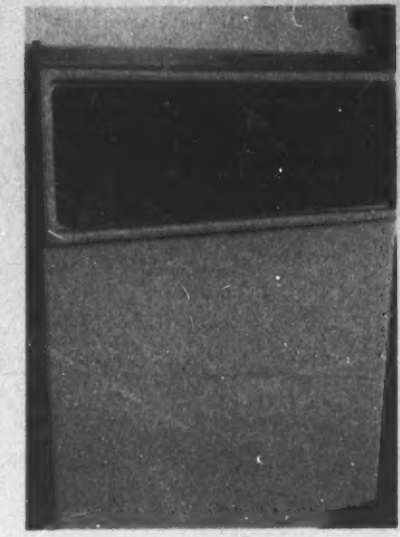
At that time, there were long gas lines in Florida, the state was on an even/odd rationing program and the Banks family spent an inordinate amount of time keeping fuel in their two cars.

Today, Banks is vp of expansion and real estate for Rose's Stores Inc. and he's thinking even more about the cost and availability of energy—only now it's on a grander scale and his efforts are proving to be more productive.

"The shortage and high cost of energy caught us [retailers] by surprise in 1973 and 1974," says Banks, but the Henderson, N.C.-based Rose's and other companies have really been fighting back.

According to Banks, his 235-unit variety and discount store chain believes that educating employees is "the quickest way to moderate increases" in energy consumption and expenses. As a result, Rose's established guidelines for electrical consumption, trained its store managers with an energy conservation booklet and monitored the program's results by having all utility bills sent to headquarters.

In the first year, these efforts resulted in a 15% reduction in energy use, and subsequently Rose's has seen additional savings from increased insulation and more efficient lighting along with contests that reward the most energy-thrifty store managers. All told, Rose's energy consumption is down about 30% in existing stores, and Banks says that his company's goal is to save another $2 million.



Load management devices control the high cost of refrigeration and HVAC.

But Rose's is not alone in its ever-increasing interest in energy conservation, as retailers around the country are also experimenting with their own programs to reduce utility bills. These include:

- The installation of extra insulation not only for the ceilings but also in the exterior walls.
- Structural changes such as lowered ceilings, the addition of enclosed loading docks and double doors at the front of the store.
- The development of new, energy-efficient store prototypes, as well as a systematic re-examination of existing units.
- Stepping up efforts in the maintenance area, especially preventative maintenance.
- More efficient techniques in lighting, a physical support expense that can account for as much as two-thirds of a general merchandiser's energy bill.
- The installation of trend-setting load management devices, those so-called "black boxes" that are especially important in the supermarket industry, where controlling refrigeration and HVAC costs (not lighting) is the name of the game.

To put these most recent energy management developments in their proper perspective, one energy director at a major mass merchandising chain sums it up this way:

"When I look at our older stores, I sometimes equate them with those Cadillacs that were built in the late 60's. They looked great then but you'd have to call them albatrosses now."

In an effort to get this "energy albatross" off their necks, retailers such as the Mississippi-based McRae's department store chain have been taking a serious look at their lighting consumption. According to Reese Chappell, McRae's vp of operations, this conservation effort is critical, although it must still be weighed against the interest of the merchant, who needs proper lighting levels to sell his goods.

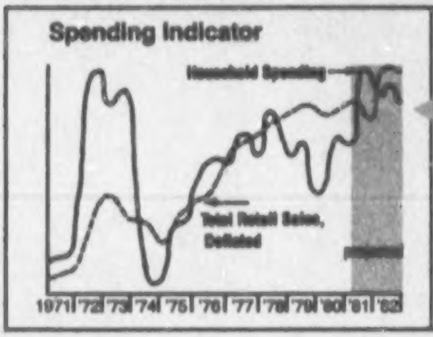
"Energy conservation has become a mandate for retailers because its rising cost has substantially increased expenses," says Chappell. "However, we must never forget that lighting is the most effective merchandising tool, and should be assessed as such, so that its cause can take place in proper perspective with total cost and profits." ■

Energy

Type of Chain	National	New England	Mid Atlantic	South Atlantic	North Central	South Central	West
Supermarket	4.70	4.95	4.82	4.73	4.85	4.61	4.60
Convenience food	4.50	4.75	4.68	4.69	4.80	4.50	4.50
Department store	3.65	3.85	3.79	3.61	3.78	3.53	3.58
Variety	3.60	3.79	3.78	3.60	3.75	3.50	3.50
Discount	2.99	3.10	3.06	2.90	3.13	2.88	2.79
Drug	3.22	3.39	3.33	3.16	3.30	3.18	3.06
Home center	2.95	3.03	2.96	2.85	2.98	2.87	2.91
Apparel	3.89	4.00	4.01	3.82	3.97	3.82	3.74
Shoe	3.97	4.12	4.08	3.85	4.02	3.89	3.85

(All figures in dollars per square foot)

7% 'real' gains in sight for Sept.



Total Retail

Sales Change By Quarter

	'80 1Q %	'80 2Q %	'80 3Q %	'80* 4Q %	'81* 1Q %	'81* 2Q %	'81* 3Q %	'81* 4Q %	'79 %	'80 %	'81* %
									12-Month % Change		
Sales include inflation	9.4	5.8	5.9	7.3	10.0	13.8	12.1	11.6	11.8	7.8	12.8
Real sales (Deflated)*	−1.2	−5.8	−4.2	−2.8	−0.8	8.5	8.8	7.6	1.3	−3.3	8.3

Base = March 1981 Sales
*Projected

On the heels of a surprisingly brisk second quarter, retail sales are heading for a "decompression" period over the next few months, according to L/F Econocycle projections this month.

Some key retail sectors, however, are expected to reverse the deceleration trend with better-than-average gains. Supermarkets, for example, are expected to post gains in the 3% to 5% over the next two months.

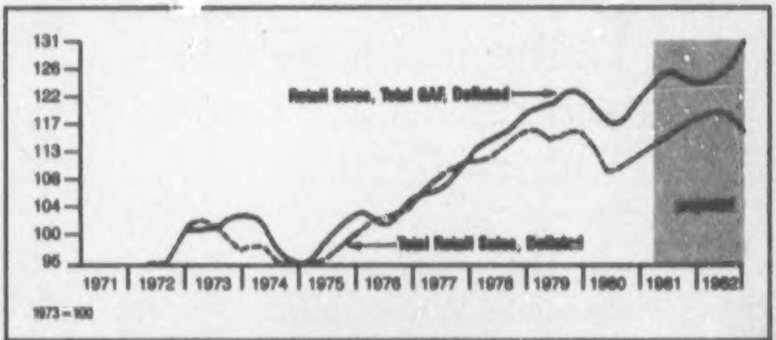
And apparel specialty outlets appear to be ready to post record-setting third quarter increases with projected gains of 8% to 10% in August and September.

Department stores are also rolling ahead with volume gains projected at 7% to 9% over the next two months.

Drug store sales, on the other hand, seem to be tailing off, after solid first and second quarter results. Home center operators are also headed for a sharp downtrend in September and October—after hammering out strong gains in the first two periods (see chart/table facing). And sales in the volatile eating-out sector appear to be softening, too. Restaurant gains in August should settle at approximately 2%, then slip lower the following months.

The L/F Econocycle projection pegs the gain for total retailing in the month ahead at better-than-7.5%, with a similar month-to-year increase likely for October.

This reflects a smart pickup from the 4% to 5% gains posted in the first quarter of '81.



Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.6	10.3	9.3	− 8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	− 9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.3	− 1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q*	10.0	10.4	8.8	8.5	10.1	8.5	9.7	7.9	8.4
	2Q*	13.6	10.7	10.5	19.8	9.3	13.9	11.6	11.5	12.1
	3Q*	12.1	8.3	10.8	15.5	8.7	12.3	12.4	10.0	11.0
	4Q*	11.6	8.0	8.9	5.4	5.8	12.0	12.4	6.4	8.9
% change 12 mos.	1979	11.6	12.0	13.0	12.0	11.0	15.0	7.0	9.0	10.0
	1980	7.8	11.0	9.0	− 3.0	12.0	5.0	5.0	6.0	5.0
	1981*	10.8	9.0	9.0	12.0	8.0	12.0	12.0	9.0	10.0

Real Sales (Deflated)*
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	− 1.2	5.8	− 0.0	− 2.6	3.8	4.9	− 1.4	1.9	1.8
	2Q	− 5.8	4.9	− 0.1	−17.5	2.0	− 3.4	0.5	− 2.4	− 2.0
	3Q	− 4.2	2.0	− 0.9	−18.5	0.5	− 5.8	− 0.2	− 3.4	− 3.3
	4Q	− 2.8	− 0.6	− 1.8	−10.4	3.9	− 1.1	1.5	− 2.0	− 1.1
1981	1Q	0.8	− 1.2	− 3.2	− 0.6	0.2	2.4	6.2	1.1	2.5
	2Q*	8.6	− 0.1	0.6	12.5	1.3	9.0	8.2	5.7	7.0
	3Q*	8.6	2.0	1.3	8.6	2.2	7.3	9.7	4.9	6.4
	4Q*	7.6	5.0	0.2	− 1.4	0.7	5.5	10.5	1.1	6.0
% change 12 mos.	1979	1.3	2.0	2.0	4.0	4.0	9.0	6.0	3.0	4.0
	1980*	− 3.3	3.0	− 1.0	−12.4	3.0	− 1.0	1.0	− 2.0	− 1.0
	1981*	4.8	− 1.0	− 1.0	4.0	1.0	6.0	8.0	3.0	6.0

Base = March 1981 Sales *Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (*above, facing*) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Department of Commerce.

Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

EXECUTIV
with Shopping Center Age
The newsmagazine for retail operations

C5150-4

## Edward A. Brennan

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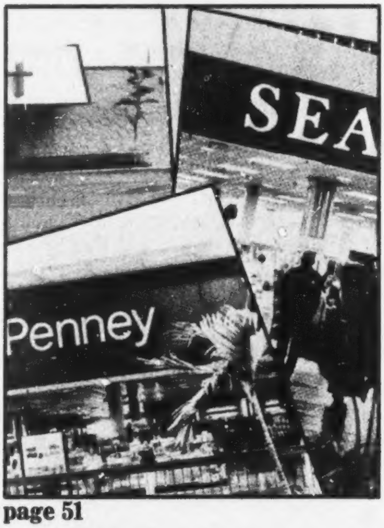

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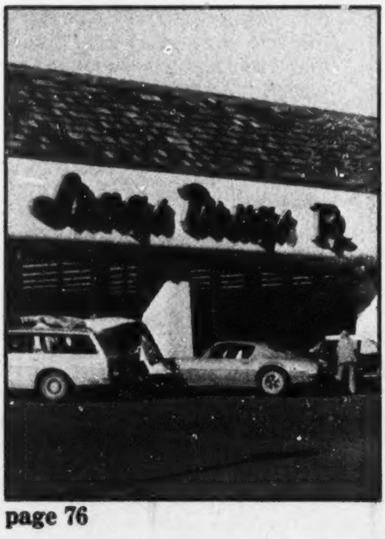
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Retailing's third party: the factor factor

A major retail chain, such as Korvettes Inc.—with about 50 stores and an annual volume in excess of $600 million—is having trouble keeping up with its payments and may soon be forced out of business.

But many of its unsuspecting suppliers are still shipping goods, the banks haven't cut off Korvettes' credit lines and some of the parent company's principals probably don't know what dire straits their discount chain is in.

Who blows the whistle?

In many cases, sources say, that first alarm is sounded by a "factor," the middleman who collects a supplier's accounts receivable and also extends credit to numerous retail companies. While factors quickly point out that their business is checking and approving—not denying—credit, it's clear they can often spot troubled merchants before anyone else.

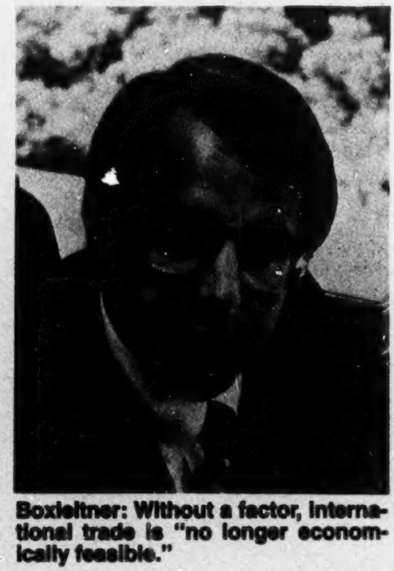
Moreover, the factor's involvement in vendor-retailer relations is by no means limited to such risky situations as Korvettes. On the contrary, this credit intermediary is a major factor in the normal operations of healthy chains, a spot-check of prominent discount and department store retailers shows.

At Wal-Mart Stores Inc., for example, a financial executive estimates that about 10% of his company's volume is factored, while the breakout for Cook United Inc. is 30%-35% in soft lines and only 5% in hard lines. Other mass merchandisers report comparable numbers, and the factored business is undoubtedly higher at department store and specialty chains—where the merchandise mix is more apparel-oriented.

1980 Volume of U.S. Factors
(in millions)

Companies	1980 Volume
1. Walter E. Heller Int'l, Chicago	$2,515
2. Crocker Commercial Services, San Francisco	2,090
3. Meinhard-Commercial Corp. (CIT), New York	1,890
4. FNB Financial (First Nat. of Boston), Boston	1,708
5. Manufacturers Hanover Commercial, New York	1,600
6. Chemical Bank, New York	1,500
7. John P. Maguire (Irving Trust), New York	1,400
8. Citizens & Southern Financial, Atlanta	1,153
9. Republic Factors, Dallas	1,100
10. Barclays American/Commercial, Charlotte, N.C.	1,077

Source: "Daily News Record," Fairchild Publications



Boxleitner: Without a factor, international trade is "no longer economically feasible."

By all accounts, factoring is increasing in the United States and abroad, and some experts predict the $28 billion factoring market could double by middecade (see chart accompanying article). These sources also say that more medium and small-sized firms are making the switch to factoring because:

- A factor offers them important financial and credit services, including credit authorization, credit risk and credit collection.
- Factoring puts these responsibilities in professional hands, freeing up the supplier's time and money for what he does best, i.e., marketing and manufacturing.
- Factoring greatly simplifies the client's bookkeeping and also improves cash flow and the appearance of his financial statements.
- A factor can extend funds or "overadvances" to the supplier for his seasonal or long-term needs. In addition to assuming the client's receivables, a factor will also make advances against those invoices, often at terms below what banks might charge.

try operate, and what role will the factor play in the future transactions of retailers and manufacturers?

In simplest terms, a factor is someone who purchases a supplier's accounts receivable, collects all authorized invoices and also assumes responsibility for his client's credit losses.

Here's how it works: When the supplier obtains an order, he turns over the particulars of the sale to a factor, who then verifies the customer's financial standing and issues credit. Afterward, the billing process goes on normally, except that the customer sends payments to the factor instead of the supplier.

In return for these services, the factor receives a commission ranging from 0.06% to 1.5% of the supplier's gross invoices, says Edmond C. Boullianne, a vp at the New York-based factor Meinhard-Commercial Corp.

Boullianne also points out that the actual percentage depends upon various conditions, including the size of the invoices, the length of terms extended, the client's annual sales volume and the stability of the client's product lines and customers.

Factoring, which has been around in this country for at least 150 years, was originally designed to facilitate the import and export of textiles. Over the years, this credit service gradually won acceptance in the shoe and furniture business, and more recently, in such varied industries as housewares, lumber, steel and jewelry.

Although a growing number of accounts are coming from outside the apparel field, the typical factoring client is still a soft lines supplier (with an annual volume between $2 and $10 million), one expert reports. Louis Boxleitner, a senior vp in the New York office of Crocker Commercial Services Inc., also says these clients tend to be young companies where sales or design-oriented owners choose to concentrate on their noncredit operations.

In addition, hard lines is an area of potential growth for factors and Boxleitner is bullish about the future of international factoring.

Without a factor, he says, there are so many transactions, documents and negotiations that international trade is "no longer economically feasible." But with a factor, "it's just as easy to deliver goods to

Rosenberg: Since the 1960's, a “veil of respectability” has been lowered over the practice.

England or Germany as Cleveland.” Factoring streamlines the import and export process, and really “lends itself to moderate-sized or seasonal transactions,” observes Boxleitner.

While factoring has recently enjoyed tremendous growth and diversification, expansion hasn't always been that easy. In fact, spokesmen for several major factoring concerns admit that a “stigma” was associated with their business until about 15 years ago.

For example, Michael J. Rosenberg, executive vp of the New York-based Rosenthal & Rosenthal Inc., attributes factoring's old image to three conditions:

(1) The practice was misunderstood outside of the traditional industries like textiles;

(2) Only small and relatively obscure financial institutions were in the business, and

(3) Factoring was seen as “a sign of weakness” or even a last resort for hard-pressed suppliers.

However, since the 1960's, a “veil of respectability” has been lowered over the practice, Rosenberg says —as major banks have established a foothold in the industry, factoring has become customary in more fields and financially sound vendors have chosen the service to professionalize their credit operations.

Adds James A. Kennedy, a vp at the world's largest factor, Walter E. Heller: “For the supplier, the channels of distribution are frought with financing and credit problems, from the raw materials stage [right through] to the retailer's shelf. And with today's cost of money, suppliers are looking for the shortest distance between two points—the factor can expedite that.

“In the present climate, most

Now, they may say of the supplier, ‘I wonder why he isn't factored,’” instead of wondering why he is, Kennedy concludes.

This improved environment notwithstanding, a number of retailers still have reservations about factoring—although they say any lingering problems aren't major or insurmountable.

One common complaint, for instance, centers around the transition period when chains must begin sending their payments to the factor instead of the supplier. Sometimes, retailers don't receive a letter preparing them for the switch, resulting in confusion or delay before the proper computer change can be made.

In addition, if the vendor hasn't been factored before, a chain is more likely to be wary than if the supplier has used an intermediary all along.

A factor can extend funds or “overadvances” to the supplier for seasonal needs

Confides one financial vp at a major discount chain: “We are quite willing to remit to a factor provided it doesn't introduce extraordinary bookkeeping requirements for us. But if the switch takes place in an industry where it's not the norm [e.g., hard lines], that might first cause us to do some discreet check-

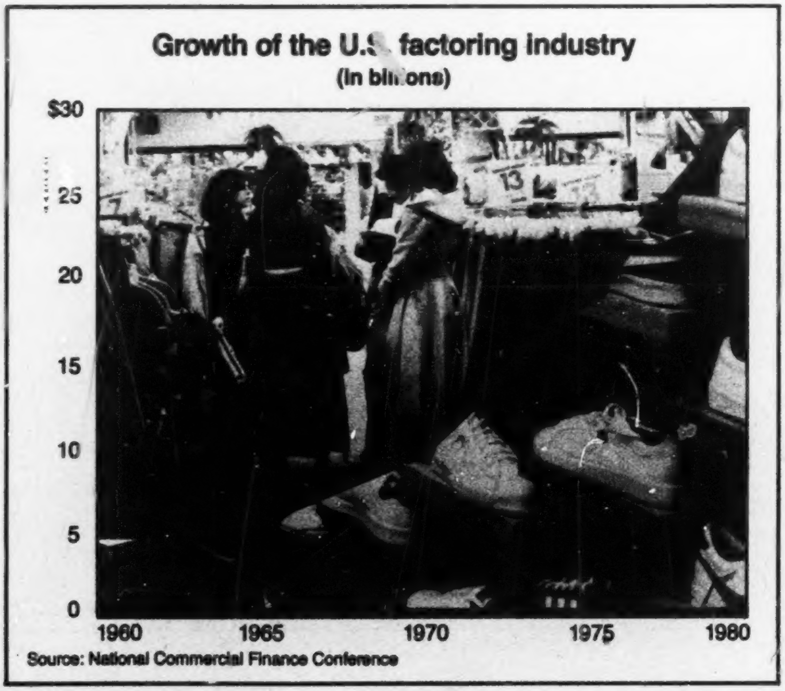
eral mass merchandisers is that communication can break down when the supplier and retailer *both* owe one another money. Such a predicament occurs, these sources say, if the vendor negotiates a promotional deal with a buyer but then neglects to inform the factor of the special terms.

“Sometimes, we'll be doing business with a supplier who gets into us and then goes to a factor,” one accounts payable supervisor says. “By law, we're required to pay the factor when in fact the supplier owes us money.”

Finally, Joseph F. Gallucci, senior vp of finance and treasurer at the Washington, D.C.-based Woodward & Lothrop, puts these problems in perspective, saying that factoring carries “no negative connotations [to his company] at all. It's a way of life for a lot of businesses and it doesn't have that much of an impact on the way we look at a vendor. Factoring may cause somewhat more confusion,” but that's not really a major obstacle.

Factoring has come a long way since the days when it was merely associated with the textile industry or suppliers who happened to find themselves short of funds. But if some persistent communication problems can be worked out, factoring will go even further—and that should benefit retailers as well as their suppliers. ■

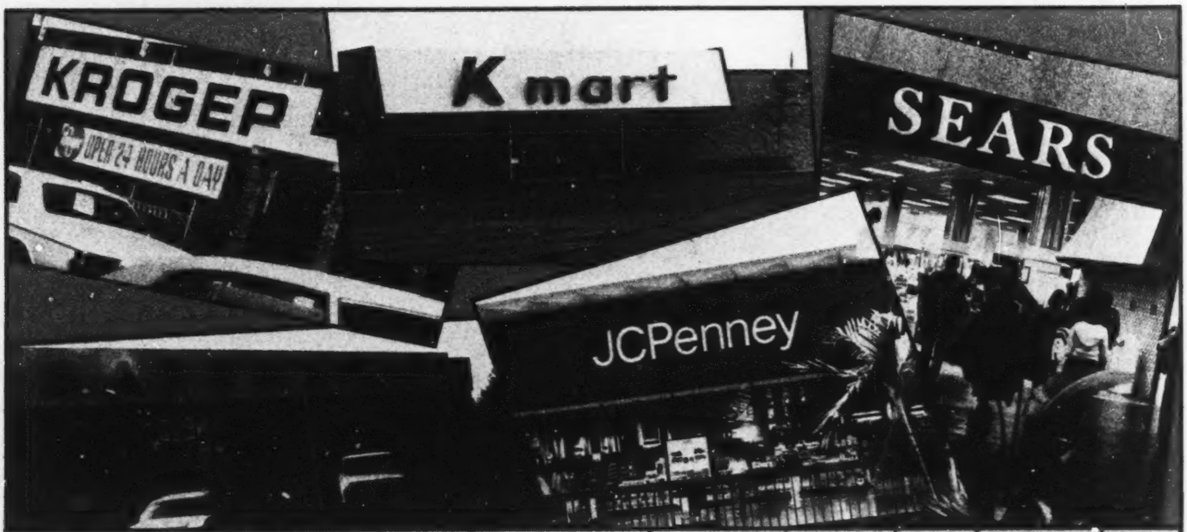
—Craig Carter



Growth of the U.S. factoring industry
(In billions)

Source: National Commercial Finance Conference

There are now 335 retailing companies with annual sales of $100 million or more. The 1981 edition of *Chain Store Age Executive's* $100 Million Club includes 50 chains with yearly volume in excess of $1 billion. The list also provides earnings figures, comparative sales information and number of stores.



	SALES		EARNINGS		COMPARATIVE SALES			UNITS		
Chain	Most Recent Fiscal Year (000)	Prev. Fiscal Year (000)	Most Recent Fiscal Year (000)	Prev. Fiscal Year (000)	Most Recent Fiscal Year	Prev. Fiscal Year	Employees Current	Most Recent Fiscal Year	Prev. Fiscal Year	Units To Be Built In 1981
1. Sears#	$16,865,000	$16,840,000	$209,000	$367,000	+ 0.2%*	− 2.6%*	390,000	854	818	31
2. Safeway	15,102,700	13,717,861	119,300	143,323	$6,251,118‡	$5,529,166‡	150,012	2,416	2,481	146
3. K mart[a]	14,204,400[a]	12,731,145	260,500	358,000	$125†	$122†	250,000[e]	1,865	1,894	150-175
4. J. C. Penney	11,353,000	11,274,000	233,000	244,000	+ 4.6%*	+ 4.8%*	194,000	2,119	2,119	61
5. Kroger	10,316,741	9,029,315	94,386	85,721	$7,776,000‡	$6,857,000‡	124,642	1,759	1,737	160
6. F. W. Woolworth[b]	7,218,000	6,785,000	161,000	180,000	+ 6.4%*	+11.2%*	196,527	6,061	5,672	356
7. A&P	6,989,529	6,684,179	(43,049)	(3,807)	N/A	N/A	59,600	1,443	1,542	1
8. Lucky Stores	6,468,682	5,815,927**	90,458	98,094	+11.2%*	+24.8%*	65,000	1,511	1,283	159
9. American Stores[c]	6,419,884	6,120,963	51,553	62,782	N/A	N/A	62,000	1,137	1,063	30
10. Fed. Dept. Stores	6,300,686	5,806,442	219,600	203,228	+ 8.5%*	+ 7.4%*	116,000[e]	358	349	29
11. Montgomery Ward[d]	5,500,000	5,251,065	(162,000)	54,000	$6,351,039‡	$5,920,051‡	102,000	866	877	N/A
12. Winn-Dixie	5,388,979	4,930,000	91,950	94,462	N/A	N/A	60,600	1,226	1,194	N/A
13. City Products	4,462,000§	3,919,000§	43,000§	57,000§	N/A	N/A	55,500§	1,221	1,228	67
14. Southland Corp.[ee]	4,294,100	3,453,000	176,400¶	145,800¶	+24.4%*	+24.0%*	44,600§	4,355[f]	4,289[f]	N/A
15. Jewel Companies[g]	4,267,922	3,684,929[g]	64,547	49,313	N/A	N/A	39,000[h]	1,194	1,049	73
16. Dayton Hudson#	4,033,536	3,384,849	138,242	126,470	+19.2%*	+14.3%*	70,000	847	661	99
17. Wickes[aaa]	3,919,436	4,016,592	(78,688)	57,113	N/A	N/A	43,000	3,200[i]	N/A	N/A
18. Grand Union Co.[bbb]	3,626,000	3,137,612	34,327	30,699	N/A	N/A	37,000[e]	855	762	25
19. May Dept. Stores	3,149,800	2,956,500	116,900	113,200	+ 6.5%*	+ 3.3%*	N/A	135	169	5
20. Albertson's	3,039,129	2,673,848	41,621	38,323	+13.7%*	+17.8%*	28,000	400	384	30
21. Carter Hawley Hale	2,632,921	2,408,028	58,082	69,720	+ 6.1%*	+ 8.9%*	55,000	864	760	94
22. Supermarkets Gen'l	2,628,851	2,372,300	26,067	23,460	+10.8%*	+15.1%*	30,000[e]	195	176	13
23. R. H. Macy & Co.	2,373,531	2,058,550	103,026	76,425	+10.5%*	+ 9.0%*	45,000[k]	88	83	4
24. Melville[l]	2,332,244	2,022,770	114,707	101,174	+15.3%*	+15.8%*	50,812	4,547	4,169	422
25. Allied Stores	2,267,71[illegible]	2,210,301	83,906	90,135	+ 2.8%*	+ 6.1%*	53,000	226	216	11
26. Publix	2,168,201	1,942,562	37,207	37,068	$8,672,804‡	$8,410,000‡	28,000[e]	250	231	4
27. Dillon	2,077,264§	1,792,216§	27,397§	33,586§	+15.9%*	+22.3%*	23,000	553	528	50
28. Stop & Shop	2,059,183	1,878,864	12,163	15,900	+ 9.6%*	+ 6.6%*	28,000[e]	378	361	N/A
29. Batus	2,038,000	1,864,000	N/A	N/A	N/A	N/A	31,000	166	169	6[e]
30. Assoc. Dry Goods[m]	1,952,239	1,783,212	52,211	43,923	+ 9.5%*	+11.1%*	49,500	215	164	4

† Sales per square foot
‡ Sales per store
* Same store sales
¶ Operating profit
§ Corporate parents figures
e Estimate
# Retail division only
N/A Not available or not applicable
** 53 weeks
( ) Loss

[a] Includes United States and Canadian sales.
[b] Figures include foreign division.
[c] Sales and earnings stated on a pro forma basis assuming the combination of Skaggs Cos. and the former American Stores Co. occurred at the start of fiscal 1979.
[d] Division of Mobil.
[ee] Store group only.
[f] Company owned stores.
[g] Includes Jewel Home Shopping Service.
[h] Includes Sav-On full-time equivalent.
[i] Includes Gamble-Skogmo stores, August 1980.

[aaa] Based on a pro forma basis as if Gamble-Skogmo Inc. had been combined with Wickes for its full fiscal year ended Jan. 31, 1981 and Jan. 26, 1980.
[bbb] Division of Cavenham U..S.A.; includes figures for J. Weingarten stores from date of merger, Jan. 3, 1981.
[j] FIFO method of inventory valuation.
[k] Regular work force.
[l] Includes manufacturing which makes up approximately 10% of total sales.
[m] Does not include Caldor acquisition.

	SALES		EARNINGS		COMPARATIVE SALES			UNITS		
Chain	Most Recent Fiscal Year (000)	Prev. Fiscal Year (000)	Most Recent Fiscal Year (000)	Prev. Fiscal Year (000)	Most Recent Fiscal Year	Prev. Fiscal Year	Employees Current	Most Recent Fiscal Year	Prev. Fiscal Year	Units To Be Built In 1981
31. Wal-Mart	1,643,199	1,238,176	55,682	41,151	N/A	N/A	28,000[e]	344	276	50
32. Rapid American#	1,669,000	1,651,000	141,300	158,900	+ 1.1%*	+ 5.6%*	33,900	1,736	1,631	80
33. Zayre	1,594,235	1,549,729	18,015	17,133	$6,402,550‡[e]	$6,102,000‡[e]	27,000[e]	531	528	10-12
34. Walgreen's	1,530,000	1,344,542	34,800	30,293	$1,929,382‡	$1,783,212‡	28,016	793	754	16
35. Giant Food	1,483,476	1,242,620	18,308	17,859	$322†	$319†	14,000	127	154	4
36. Fisher Foods	1,412,962	1,336,293	6,073	(6,989)	$10,092,585‡[e]	$9,090,429‡[e]	16,000	140	147	6
37. J. Eckerd[ccc]	1,410,000	1,325,140	69,300	59,302	$1,247,788‡[e]	$1,079,104‡[e]	25,100	1,130	1,228	N/A
38. Waldbaum's	1,271,624	1,103,443	10,828	7,827	$9,214,667‡[e]	$8,113,551‡[e]	10,000	138	136	N/A
39. National Tea[ddd]	1,259,304**	1,045,696	14,173	13,133	$5,698,208‡[e]	$4,430,915‡[e]	11,000	221	236	7
40. First National	1,230,173	1,364,797	7,536[n]	5,253	N/A	N/A	13,800	172	255	N/A
41. Tandy#[eee]	1,141,419	1,015,550	217,510¶	180,613¶	+12.4%	+13.8%*	25,000	5,953	5,797	200
42. Gibson Products	1,125,000[e]	1,068,000	N/A	N/A	N/A	N/A	N/A	347[e]	381	22[e]
43. Food Fair	1,124,067	1,461,000	22,505	(211,147)	$5,620,335‡[e]	$7,232,673‡[e]	9,000	200	202	0
44. W. R. Grace#	1,120,000	974,000	22,400	19,300	$1,827,080‡	$1,702,797‡	51,600[e]	613	572	50
45. Mercantile Stores	1,108,076	1,067,937	42,447	42,749	+ 3.8%*	+15.8%*	18,000	83	82	1
46. Revco	1,092,797	927,533	38,916	33,636	+17.8%	+17.1%	17,500	1,510	1,143	100[e]
47. FedMart	1,061,000	963,442	(6,330)	(11,103)	$189†	$173†	10,800	68	69	N/A
48. Marshall Field	1,012,501	904,296	20,686	18,904	+12.0%*	+19.0%*	30,000	93[r]	60	1
49. Borman's	1,000,795	905,376	33,000	467,000	11,744,058†	7,243,008†	9,000	85	125	N/A
50. H. E. Butt	1,000,000	728,000	N/A	N/A	N/A	N/A	N/A	154	150	N/A
51. Fred Meyer#	972,818	836,001	26,618	22,380	N/A	N/A	10,600	66	63	2
52. Thrifty Corp.	949,304	858,358	14,745	14,200	1,794,526‡[e]	1,660,2267‡[e]	N/A	529	517	N/A
53. Rite-Aid	944,151	811,100	35,885	30,201	1,032,988‡	1,013,000[w]	10,771	878	811	90
54. SCOA Ind.[mm]	941,733**	880,199	28,118	30,381	+ 7.0%	+12.8%	16,000	849	941	7[t]
55. Longs	893,198	773,251	25,862[u]	26,687	406†	404†	7,300	150	130	12
56. Lowe's Cos. Inc.	883,614	904,651	18,891	24,995	− 2.3%	14%	6,500[e]	214	209	N/A
57. Service Merch.	865,017	729,759	20,839	19,463	+18.5%*	+38.2%*	6,274	115	101	6
58. Cullem#	864,974	782,500	11,290	9,406	6,705,225‡[e]	5,248,322‡[e]	5,600	129	149	6
59. Edison Bros.	853,389	792,284	42,457	44,700	+ 7.6%*	+ 7.3%*	N/A	1,972	1,792	170
60. Best Products	841,800	699,208	21,676	22,625	9,150,000‡	11,277,548‡	10,000[e]	92	62	7
61. Zale	829,000	721,000	72,700	54,000	N/A	N/A	13,000	1,485	1,266	N/A
62. Pay 'N Save	823,390	709,064	18,998	19,313	3,533,863‡	3,563,136‡	10,000	233	199	12
63. G. C. Murphy	803,699	756,875	9,466	9,854	N/A	N/A	17,500	445	467	4
64. Koffler Stores	780,000[y]	626,000	N/A	N/A	N/A	N/A	N/A	417	391	25
65. Hy Vee	770,000	683,000	N/A	N/A	N/A	N/A	10,000[e]	132	129	3
66. Payless Drugs NW	750,947	380,494	14,317	12,400	N/A	N/A	7,600	147	89	N/A
67. American Can[ggg]	737,800	699,200	85,700§	127,300§	N/A	N/A	3,480	475	436	17
68. Kings Dept. Stores[z]	729,685	572,821	3,859	15,494	2,930,462‡[e]	3,014,847‡[e]	N/A	249	190	N/A
69. Smiths	725,000§	621,000§	N/A	N/A	N/A	N/A	6,000	137	129	3
70. Evans Products#	692,700	632,000	52,300	51,700	+ 9.5%*	N/A	N/A	349	328	N/A
71. Weis Markets	684,814	606,346	33,091	28,880	+12.9%*	N/A	8,000[e]	107	106	N/A
72. Pneumo Corp.#	683,563	558,579	14,334¶	10,134¶	+22.4%*	N/A	9,235§	126	184	N/A
73. Mod. Merchandising	678,759	678,820	1,312	12,740	− .01%*	+29.9%*	6,000[e]	80	72	1
74. Western Auto	669,503	750,655	17,519	17,134	N/A	N/A	N/A	273	301	12
75. Caldor[hhh]	666,530	562,762	21,167	19,700	10,254,307‡	10,100,000‡	10,000	65	56	6
76. Meijer	656,000	587,000	- N/A	N/A	N/A	N/A	N/A	31	31	N/A
77. Boise Cascade#	654,452	794,468	(17,893)¶	22,926¶	N/A	N/A	N/A	101	107	N/A
78. Scrivner's	650,000§	546,901§	7,367§	6,363§	9,558,824‡	8,545,328‡	3,500[e]	68	64	N/A
79. Interco#	645,900	630,300	27,300¶	41,200¶	+ 2.5%*	N/A	N/A	868	856	18
80. Petrolane[aa]	645,742	538,997	35,860¶	30,676¶	+19.8%*	+24.0%*	8,690	144	157	4
81. Circle K Corp.	644,457	533,103	14,363	16,946	539,746‡[e]	437,687‡[e]	6,300	1,194	1,218	N/A
82. Consumer's Distr.	630,932	553,857	8,430	9,531	+13.9%*	+60.9%*	2,000[e]	205-Can 98-US	200-Can 86-US	N/A-Can 3-US
83. Bi-Lo	617,855	547,408	N/A	N/A	N/A	N/A	7,800	123	112	N/A
84. Vornado	615,517	733,363	(3,562)	(750)	11,836,865‡	14,380,000‡	9,100	52	51	0
85. Furr's	600,000	450,000	N/A	N/A	N/A	N/A	5,000	72	68	N/A
86. Toys "R" Us	597,332	480,317	28,893	26,897	5,914,178‡	5,650,780‡	8,800	101	95	20
87. Carson-Pirie[bb] Scott	582,083	434,321	12,043	12,608	23,283,320‡[e]	16,704,653‡[e]	8,000	25	26	N/A
88. Peoples Drug	561,836	441,114	8,178	6,457	1,137,320‡[e]	1,105,549‡[e]	N/A	494	399	N/A
89. Schnuck Markets	550,000	515,200	N/A	N/A	N/A	N/A	5,800	57	51	2
90. Brown Group#	549,398[e]	515,215[e]	20,237[e]	18,788[e]	N/A	N/A	25,000[e]	1,691[ii]	1,597[ii]	N/A

† Sales per square foot
‡ Sales per store
* Same store sales
¶ Operating profit
§ Corporate parent's figures
[e] Estimate
# Retail division only
N/A Not available or not applicable
** 53 weeks
( ) Loss

[ccc] Prior to acquisition of American Home Video.
[ddd] Division of Loblaw Companies Ltd.
[n] Earning's before extraordinary credits.
[eee] Figures are for U.S.A. only.
[q] Includes figures for restaurants.
[r] Includes acquisition of J. B Ivey & Co. Stores in 1980.
[t] Seven (7) Hills Dept. Stores planned, figure N/A for footwear division.
[u] Adjusted for LIFO, no LIFO figure available for previous year.
[mm] Includes manufacturing which makes up less than 2% of total sales.

[y] Systemwide sales.
[ggg] Consumer Distributor Sector.
[z] August 1980 acquired the retail business of Cornwall Equities Ltd.
[hhh] Prior to acquisition by Associated Dry Goods.
[aa] Consumers Product Division.
[bb] Dept. Store Division only.
[ii] Total number of stores also include 779 leased departments in the most recently completed fiscal year, 774 leased departments in the previous fiscal year.

$100 MILLION CLUB

	SALES		EARNINGS		COMPARATIVE SALES			UNITS		
Chain	Most Recent Fiscal Year (000)	Prev. Fiscal Year (000)	Most Recent Fiscal Year (000)	Prev. Fiscal Year (000)	Most Recent Fiscal Year	Prev. Fiscal Year	Employees Current	Most Recent Fiscal Year	Prev. Fiscal Year	Units To Be Built in 1981
91. Foodtown	543,883	415,974	15,287	13,170	5,130,962‡°	4,894,000‡°	4,000°	106	85	28
92. Allied Supers	534,833	604,915	19,795	(31,398)	6,147,506‡°	5,601,065‡°	4,500	87	108	0
93. Rose's Stores	526,288	497,746	6,501	16,419	2,220,624‡°	2,192,714‡°	9,849°	237	227	12°
94. Arden Group	510,000	460,000	4,220	3,467	+10.9%*	+ 2.4%*	3,984	100	105	3
95. U.S. Shoe#	506,401	450,010	44,805‖¶	33,986‖¶	+12.5%*	+12.0%*	22,000‡	1,113¶¶	1,033¶¶	N/A
96. Alexander's	505,086	454,055	1,053	4,136	+11.2%*	+ 5.0%*	14,000	85	88	N/A
97. Sherwin Williams°°	503,383	492,763	7,656	4,700	N/A	N/A	N/A	1,365	1,384	110
98. Levitz	500,752	546,580	13,182	20,574	6,766,919‡°	7,384,865‡°	4,800°	74	74	4
99. Alterman's/§§ Big Apple	500,000	470,100	N/A	4,100	5,376,344‡°	4,700,000‡°	5,000°	93	100	N/A
100. Giant Eagle	500,000	406,500	N/A	N/A	N/A	N/A	N/A	52	49	N/A
101. Price Chopper	500,000	520,800	N/A	N/A	N/A	N/A	6,000°	72	70	N/A
102. 84 Lumber	500,000°	426,000	N/A	N/A	N/A	N/A	2,000°	330	306	70°
103. Purity Supreme	500,000	381,000	N/A	N/A	N/A	N/A	6,000°	105	103	N/A
104. Marsh Supers	491,610	447,436	4,501	4,019	2,308,028‡	2,182,615‡	6,100	213	205	30
105. Raley's	465,000	278,000	N/A	N/A	N/A	N/A	4,200	40	38	3
106. Chatham	480,000	482,000	N/A	N/A	N/A	N/A	4,000°	45	45	N/A
107. Petrie Stores	479,497	446,589	46,290	51,664	+ 7.4%*	+ 2.5%*	N/A	712	664	N/A
108. Thrift Drug	477,000	412,000	N/A	N/A	N/A	N/A	7,500	367	N/A	N/A
109. Hannaford Bros.	476,582	423,544	4,926	3,272	N/A	N/A	4,000°	110	95	N/A
110. Garfinckel, Brooks Brothers, Miller & Rhoads Inc.	472,083	420,398	14,750	15,269	N/A	N/A	12,000°	227	198	34°
111. Dillard	470,733	391,302	8,507	8,316	9,052,558‡°	8,893,227‡°	6,000°	52	44	4
112. Bruno's	458,629	385,595	8,618	6,655	N/A	N/A	4,800	62	56	0
113. Gordon Jewelry	453,724	355,051	42,093	27,000	737,763‡	638,580‡	7,000	615	556	40-50
114. Super-Valu#	453,376	373,980	26,211¶	28,728¶	N/A	N/A	8,100	282	257	12
115. Grey Drug¶¶¶¶	452,777	406,527	4,700	4,384	2,515,428‡°	1,783,013‡°	3,000°	180	228	175
116. Morse Shoes Inc.	437,110	384,921	15,994	15,051	+13.6%*	+14.5%*	5,600	1,261	1,106	135
117. Nash Finch Co.#	435,000	387,996	9,892¶	8,310¶	N/A	N/A	6,000§	101	104	5
118. Nat'l Convenience	434,430	320,363	8,100	6,005	N/A	N/A	5,200	830	817	50
119. Heck's	432,342	393,857	15,469	14,861	N/A	N/A	3,915	87	95	10-15
120. Thrift-Mart	431,872	368,136	7,213	4,488	N/A	N/A	2,800°	129	129	1
121. Cook-United#¶¶¶	427,890	422,813	1,679	5,863	N/A	N/A	5,250	129	97	1
122. Penn Traffic#	418,757	375,573	6,407	6,463	N/A	N/A	4,633	77	75	N/A
123. Foodarama	412,890	413,016	(1,279)	780	N/A	N/A	3,200	38	40	N/A
124. DeMoulas	410,000	252,000	N/A	N/A	N/A	N/A	4,700°	29	26	N/A
125. Sentry Stores‖‖	408,345	368,697	2,720	3,884	4,919,819‡°	4,287,174‡°	2,900	83	86	4
126. Big V Supers	407,872	357,984	5,128	4,703	N/A	N/A	3,200°	27	26	3
127. Nordstrom	407,813	346,269	19,655	16,419	N/A	N/A	6,174	33	29	4
128. Hart Schaffner & Marx	403,700	393,000	10,125°	9,450	171†	167†	10,000	281	261	15-20
129. Lane Bryant	400,404	381,247	11,131	10,634	+ 5.0%*	+ 4.3%*	6,800	265	237	50
130. Smitty's	400,000	295,000	9,700	7,700	N/A	N/A	5,300	20	18	0
131. Fedco	400,000°	364,000	N/A	N/A	N/A	N/A	2,000	7	7	0
132. Cumberland Farms	398,000	N/A	N/A	N/A	N/A	N/A	5,000	1,120	1,100	50
133. Pueblo Int'l#	396,800	330,773	5,089##	4,033##	9,442,857‡	8,067,634‡	4,500	42	41	1
134. Strawbridge & Clothier	390,174	367,227	12,851	10,728	15,606,960‡°	15,303,125‡°	12,000°	25	24	4
135. Shopwell	384,559	346,486	1,125	1,060	5,416,324‡°	4,949,800‡°	4,500	71	70	N/A
136. Niagara Frontier#°°°	383,653	350,701	4,619¶	6,349¶	5,403,563‡°	5,566,683‡°	5,500§	71	63	N/A
137. Payless Cashways	383,057	316,057	10,997	14,476	N/A	N/A	4,400	78	70	8
138. Big Bear Stores (Ohio)	375,000	420,000	N/A	N/A	N/A	N/A	5,500	63	59	0
139. The Gap	369,800	306,510	11,100	9,072	11%*°	N/A	6,500	475	418	50
140. A. J. Bayless	368,521**	319,837	2,550	2,193	$6,041,328‡°	$[illegible]3,000‡°	3,200	61	61	1
141. Harris Teeter‖‖‖	362,730	329,614	6,415¶	6,899¶	N/A	N/A	4,200°	82	80	1
142. Hartfield-Zody's	361,076	339,021	2,947	11,581	1,536,494‡°	1,720,919‡°	5,500	235	197	4
143. King Kullen	360,000	318,364	1,402	1,843	N/A	N/A	3,600	53	54	2
144. Seaway Foodtown	357,113	325,857	4,587	4,757	N/A	N/A	3,000°	69	52	2-3
145. General Mills#	356,300	276,400	28,400	15,700	N/A	N/A	N/A	159	133	N/A
146. Wegman's	350,000°	350,000°	N/A	N/A	N/A	N/A	5,000°	35	34	1
147. Deichamps	350,000	260,000°	N/A	N/A	N/A	N/A	3,200	62	58	1
148. Piggly Wiggly So.	350,000°	320,000	N/A	N/A	N/A	N/A	3,000°	72	70	1
149. Schwegmanns	350,000	335,000°	N/A	N/A	N/A	N/A	3,500	10	10	2
150. Hughes Markets	350,000	300,000	N/A	N/A	N/A	N/A	3,061	34	35	N/A

† Sales per square foot
‡ Sales per store
* Same store sales
¶ Operating profit
§ Corporate parent's figures
° Estimate
# Retail division only

N/A Not available or not applicable
** 53 weeks
( ) Loss

‖Specialty retailing only.
¶¶Includes leased department stores.
°°Store division only.

§§Division of Lion Cid De La Haize, Belgium.
¶¶¶¶Sale of Rink's; Drug Fair acquisition.
¶¶¶Acquisition of Rink's.
‖‖Division of Godfrey Co.
\##Before LIFO adjustments.
°°°Company-owned stores.
‖‖‖Division of Ruddick Corp.

$100 MILLION CLUB

	SALES		EARNINGS		COMPARATIVE SALES			UNITS		
Chain	Most Recent Fiscal Year (000)	Prev. Fiscal Year (000)	Most Recent Fiscal Year (000)	Prev. Fiscal Year (000)	Most Recent Fiscal Year	Prev. Fiscal Year	Employees Current	Most Recent Fiscal Year	Prev. Fiscal Year	Units To Be Built In 1981
151. Ames	337,692	322,000	8,656	8,226	N/A	N/A	4,500	125	129	8
152. Pamida	337,000*	333,463	N/A	3,053	N/A	N/A	4,500	186	188	3-4
153. United Dept. Stores	330,000	62,000	N/A	N/A	N/A	N/A	N/A	109	13	N/A
154. Ingles Markets	325,000	249,000	3,642	3,472	4,333,333‡*	3,365,000‡*	3,350	75	74	2
155. U-Tote 'M	319,200*	280,000	N/A	N/A	N/A	N/A	N/A	934	920	N/A
156. Brookshire	319,200*	280,000	N/A	N/A	N/A	N/A	3,200*	65	63	1
157. C. R. Anthony	315,000	256,000	8,627	9,250	1,019,417‡*	829,000‡*	8,000*	309	309	2-3
158. Munford	313,990	292,367	902	2,309	279,351‡	255,789‡	5,000	1,124	1,143	0
159. Almac's	313,500*	275,000*	N/A	N/A	N/A	N/A	3,000*	40	41	0
160. Woodward & Lothrop	308,370	295,181	9,645	10,010	N/A	N/A	9,000*	15	15	1
161. Schultz Sav-O	305,000	261,951	1,585	1,871	8,243,243‡*	7,276,417‡*	1,925*	37	36	1
162. The Boys	N/A	300,000	N/A	N/A	N/A	N/A	2,700*	37	38	2
163. Tradewell Stores	300,000*	302,000	N/A	N/A	N/A	N/A	2,040*	118	118	3
164. Shaw	300,000	250,320*	N/A	N/A	N/A	N/A	5,000*	38	37	1
165. H. J. Wilson	297,823	256,394	11,051	11,450	N/A	N/A	4,300*	53	43	4-5
166. Drug Fair	295,678	266,452	1,404	754	1,651,832‡*	1,567,365‡*	5,800	179	170	8
167. Times Square Stores	290,000	298,600	N/A	N/A	N/A	N/A	4,500*	20	23	N/A
168. Kuhn's Big K	287,194	298,168	(5,359)	1,738	N/A	N/A	5,289*	115	116	0
169. Diamond Int'l#	285,000	355,000	14,000¶	28,000¶	N/A	N/A	1,505	125	121	5
170. Victory Markets	275,924	241,614	719	1,038	282†	183†	3,000*	96	88	1
171. Star Markets	275,000**	248,90[illegible]	2,000	3,135	6,707,317‡*	6,071,000‡*	2,520	41	41	4
172. Jitney Jungle	275,000	250,000	3,838	3,023	N/A	N/A	2,900*	46	50	2
173. S. M. Flickinger#	273,967	252,836	N/A	N/A	N/A	N/A	3,800	62	70	N/A
174. Jamesway	273,260	242,409	3,916	6,371	N/A	N/A	4,000*	64	61	2
175. Thorofare	272,396	218,348	891	1,411	4,393,484‡	3,211,000‡	2,500*	62	68	N/A
176. Edward Hines Lum.	270,574	348,516	(1,714)¶	2,757¶	N/A	N/A	200	25	26	1
177. Liberty House	269,050	257,781	22,350	24,086	+14.0%*	+15.0%*	N/A	52	45	N/A
178. Goldblatt	265,862	306,600	(23,553)	(6,600)	N/A	N/A	4,600*	25	42	0
179. The Limited	265,333	237,971	8,361	4,495	N/A	N/A	5,500	362	323	8
180. Motts	264,794	234,792	3,818	2,888	10,591,760‡*	9,783,000‡*	2,900	25	24	N/A
181. Red Food	261,664	239,000	N/A	N/A	N/A	N/A	2,800	36	34	3
182. Dart Drug	259,009	231,165	1,385	3,565	N/A	N/A	N/A	124	96	N/A
183. Handy-Andy Food	259,000	250,000	(7,300)	1,500	5,510,638‡*	4,808,000‡*	4,500*	47	52	0
184. Tamarkin Co.#	250,000	135,000	N/A	501	N/A	N/A	1,800	70	70	1
185. Twin Fair	248,973	233,905	(5,694)	2,216	90†	87†	3,800*	30	30	0
186. Scotty's	245,879	201,153	10,564	8,353	2,998,524‡*	2,646,750‡*	3,635	82	76	1
187. Village Supers	245,295	232,165	110	1,004	N/A	N/A	2,000*	20	20	1
188. Fay's Drug	243,117	194,037	959	3,010	2,929,120‡*	1,848,000‡*	3,000*	83	105	3-4
189. Randall	242,200	224,656	2,513	2,381	N/A	N/A	3,200*	38	36	2
190. General Nutrition	241,611	195,805	12,900	10,239	N/A	N/A	5,000*	838	710	200
191. Fareway Stores	240,000	246,400*	N/A	N/A	N/A	N/A	N/A	37	37	1
192. Fred W. Albrecht	240,000	201,000	N/A	N/A	N/A	N/A	2,500	23	23	N/A
193. Piggly Wiggly (RR)	241,977	226,000	1,081	95	N/A	N/A	2,000	62	69	0
194. I. Magnin	238,400	205,000	N/A	N/A	N/A	N/A	4,500*	24	24	1
195. Hook Drugs	235,503	207,215	7,318	6,373	872,233‡*	800,058‡*	3,600	270	259	13
196. The Pantry	232,144	159,867	N/A	N/A	N/A	N/A	2,419	453	329	60
197. Grand Central	230,828	203,907	1,548	3,332	N/A	N/A	3,200*	33	32	0
198. Minyard Food	230,000	228,600	N/A	N/A	N/A	N/A	2,900	52	50	1
199. Milgram Food	230,000*	188,000	N/A	N/A	N/A	N/A	1,850*	47	50	N/A
200. Lowe's Food Stores	226,000	163,423	N/A	843	N/A	N/A	2,000*	79	72	N/A
201. S. E. Nichols	224,572	217,126	243	3,540	N/A	N/A	3,500	42	43	1
202. Country Club	220,000	212,800	N/A	N/A	N/A	N/A	3,000*	50	44	0
203. Spencer Gifts	210,954	193,931	8,754	18,413	N/A	N/A	4,500	420	370	1
204. Dollar General	209,753	177,774	5,852	6,259	N/A	N/A	3,000	726	688	45
205. H. C. Prange	209,000*	197,600	N/A	N/A	N/A	N/A	5,200*	74	70	2
206. Copps	207,838	192,031	N/A	1,706	N/A	N/A	2,200	27	27	1
207. Adams Drug	207,114	1[illegible]5,754	3,127	2,478	529,703‡*	426,000‡*	4,400	391	411	15
208. Color Tile	207,089	153,031	13,550	10,763	93†	83†	2,565	445	370	N/A
209. Lionel Corp.#	203,652	152,454	11,571	10,398	+35.6%*	+35.7%*	5,500*	92	60	20
210. Peavey#	206,367	188,963	10,723¶	14,274¶	982,700‡*	908,476‡*	2,000§	210	208	0
211. Sutherland Lumber	205,000*	190,000*	N/A	N/A	N/A	N/A	N/A	72	70	2
212. Elder-Beerman	203,824	195,276	2,439	2,362	N/A	N/A	5,000	21	20	N/A
213. Higbee	202,522	197,409	1,075	504	+ 2.8%*	+ 4.8%*	5,367	11	20	0
214. Miller-Wohl	201,733	184,104	19,332	17,337	N/A	N/A	4,000	268	238	43
215. Consumers Market	200,000*	200,000	N/A	N/A	N/A	N/A	1,450*	29	29	2

† Sales per square foot
‡ Sales per store
Same store sales
¶ Operating profit
§ Corporate parent's figures

* Estimate
# Retail division only
N/A Not available or not applicable
** 53 weeks
( ) Loss

Performs combined operations of Pamida Inc.
Includes the acquisition of stores from The Outlet Company.
Division of Fairmont Foods.
Subsidiary of Pacific Gamble Robinson Co. Inc.
Division of Fairmont Foods.
Prior to acquisition by Grey Drug.

Division of Amfac Inc.
Full-time employees.
Prior to the sale of the South Carolina division.
Includes gasoline sales.
Includes both retail and wholesale.

$100 MILLION CLUB

Chain	SALES		EARNINGS		COMPARATIVE SALES			UNITS		
	Most Recent Fiscal Year (000)	Prev. Fiscal Year (000)	Most Recent Fiscal Year (000)	Prev. Fiscal Year (000)	Most Recent Fiscal Year	Prev. Fiscal Year	Employees Current	Most Recent Fiscal Year	Prev. Fiscal Year	Units To Be Built In 1981
216. Pep Boys	199,823	181,967	7,722	6,294	1,903,076‡°	1,802,000‡°	N/A	105	101	N/A
217. Cunningham Drug	198,729	183,000	N/A	1,682	N/A	N/A	N/A	146	156	N/A
218. D. H. Holmes	197,320	176,548	4,952	5,585	N/A	N/A	4,500	28	28	0
219. Searle Optical#	196,625	130,000	22,702	17,146	N/A	N/A	18,000§	868[mm]	717	N/A
220. Canna Corp.#[qq]	195,700	156,500	N/A	1,500	N/A	N/A	N/A	455	316	20-25°
221. B. Altman & Co.	185,000	180,000	N/A	N/A	N/A	N/A	N/A	6	6	0
222. Food Lane[pp]	182,991	140,933	1,830	2,195	N/A	N/A	2,000	25	25	1
223. Loehmann's	182,738°	140,577	5,941°	4,995	3,514,192‡°	3,194,000‡°	N/A	52	44	N/A
224. Houchens	180,000	175,000	N/A	N/A	N/A	N/A	1,500°	54	53	2-3
225. Child World Inc.	178,220	158,479	N/A	3,738	2,620,822‡°	2,365,356‡°	N/A	68	67	N/A
226. Melmarkets	175,000°	174,720	N/A	N/A	N/A	N/A	2,000	15	14	N/A
227. Angelo's	175,000°	140,000	N/A	N/A	N/A	N/A	3,000°	69	65	1°
228. Giant Food (Pa)	175,000	142,000°	N/A	N/A	N/A	N/A	N/A	29	25	N/A
229. Duckwall-ALCO	174,565	172,786	3,349	4,376	N/A	N/A	3,500	109	107	7
230. Glosser Bros.	174,295	156,893	1,817	2,694	+11.1%*	+ 7.4%*	2,475	27	30	1
231. Cole National[yyy]	173,992	158,030	6,782[wwww]	5,733	+10.0%*	+ 8.5%*	8,550	1,522	N/A	58°
232. Food World (NC)	173,280°	152,000	N/A	N/A	N/A	N/A	1,500°	35	35	3°
233. Genesco#	171,856	163,589	(366)	6,654	+ 5.1%*	−23.9%*	17,000§	1,300[xxx]	N/A	N/A
234. Giant Food (Tenn)	171,000	150,000	N/A	N/A	N/A	N/A	N/A	25	24	N/A
235. Hechinger's	170,445	147,475	6,801	5,476	N/A	N/A	3,500°	30	26	N/A
236. Family Dollar	166,854	151,834	8,337	7,737	376,646‡°	395,000‡°	3,000°	443	384	7
237. Wieboldt	164,855	169,000	1,709	1,533	N/A	N/A	5,500°	14	13	1
238. Little General[ee]	163,059	148,037	6,077	8,322	+10.1%*	+10.1%*	N/A	474	490	N/A
239. Quiktrip Corp.	162,000	134,000	N/A	N/A	N/A	N/A	1,200	245	230	22
240. Wawa Markets	160,000	139,000	N/A	N/A	672,269‡°	591,489‡°	2,200	238	235	25
241. Community Cash	160,000	140,000	N/A	N/A	N/A	N/A	1,800°	35	28	0
242. Peter J. Schmitt#[yy]	160,000°	181,440	N/A	N/A	N/A	N/A	N/A	60	60°	N/A
243. Rosauer's	160,000	140,000	N/A	N/A	N/A	N/A	1,600°	24	34	0
244. Gerland's Food	160,000	160,000	N/A	N/A	N/A	N/A	1,600	22	N/A	0
245. Hess's	159,768	142,481	6,083¶	5,557¶	N/A	N/A	N/A	22	18	1
246. P. A. Bergner	159,376	149,930	N/A	N/A	N/A	N/A	5,500°	24	24	1
247. House of Fabrics	158,774	155,858	3,704	2,471	287,634‡°	277,822‡°	6,000°	552	561	N/A
248. Ayr-Way's	158,605[r]	289,127	N/A	2,710	N/A	N/A	N/A	40	41	0
249. Ann & Hope	153,000°	140,000°	N/A	N/A	N/A	N/A	N/A	24	24	N/A
250. Younkers[zzz]	152,087	141,874	2,152[ss]	6,981	N/A	N/A	4,500°	25	26	0
251. Pier One[t]	152,000	136,000	4,221	0	N/A	N/A	3,500°	276	313	0
252. Sunshine Jr. Stores	151,929	120,072	1,461	2,400	422,025‡	357,357‡	1,665	330	326	N/A
253. Jacobson's	151,869	138,122	811	1,605	N/A	N/A	3,700°	20	27	N/A
254. Pay 'n Pack Stores	151,765	138,361	6,449	6,312	N/A	N/A	1,050°	84	78	4
255. Sloan's Supers	150,000	129,000	N/A	N/A	N/A	N/A	1,300	41	41	3
256. Big Discount Wonder Markets	150,000°	100,000	N/A	N/A	N/A	N/A	1,600	11	10	0
257. Farm Fresh	150,000°	150,000	N/A	N/A	N/A	N/A	N/A	19	18	1
258. West Building	150,000°	136,800°	N/A	N/A	N/A	N/A	N/A	66	66	N/A
259. Fabri-Centers	149,674	130,842	4,007	3,345	284,011‡°	260,641‡°	4,500	527	502	25
260. Ohrbach's	148,639	134,459	N/A	N/A	N/A	N/A	N/A	13	11	0
261. Brooks Fashion	148,262	129,078	7,759	11,172	N/A	N/A	2,400°	24	20	4
262. Sunflower	148,200°	130,000	N/A	N/A	N/A	N/A	1,865	95	99	7°
263. Singer Super	148,200°	130,000	N/A	N/A	N/A	N/A	1,500°	9	9	N/A
264. Golden Dawn Food	148,200°	130,000	N/A	N/A	N/A	N/A		4	6	0
265. Basha	145,000	115,000	N/A	N/A	N/A	N/A	1,500	29	31	3
266. Oshman's Sporting Goods	144,889	135,000	4,999	6,340	N/A	N/A	2,900	137	91	7-8
267. Sprouse-Reitz	143,677	136,749	5,304	4,246	435,385‡°	410,658‡°	2,900°	330	333	12
268. B & B Food	142,500°	125,000	N/A	N/A	N/A	N/A	1,300	60	52	3
269. Malone & Hyde#	141,700	86,900	11,700	5,500	N/A	N/A	7,100§	290°	238°	84°
270. Cala Foods	140,000°	130,000°	N/A	N/A	N/A	N/A	700°	24	25	N/A
271. Perry Drug	136,400	109,200	2,400	2,500	1,377,778‡	1,707,000‡	2,200°	99	64	7-8
272. Harding's Friendly Family Markets	136,000	125,000	N/A	N/A	3,777,778‡	3,472,222‡	800	36	36	1
273. Man-Dell	136,000	132,000	N/A	N/A	N/A	N/A	950°	18	17	1
274. Century Hsewrs	135,000°	120,000	N/A	N/A	N/A	N/A	1,400°	57	57	0
275. Jewelcor#	134,800	130,800	7,519	8,336	N/A	N/A	1,443	26	31	1

† Sales per square foot
‡ Sales per store
* Same store sales
¶ Operating profit
§ Corporate parent's figures
° Estimate
# Retail division only
N/A Not available or not applicable

** 53 weeks
( ) Loss

[mm] Includes franchised stores.
[ee] Includes retail food sales only.
[pp] Division of Laneco Inc.
[yyy] Does not include sales figures for Child World Inc.
[wwww] Includes equity in net income of Child World Inc.
[xxx] Includes leased department stores and Canadian stores.

[qq] Division of General Host Corp.
[yy] Division of Loblaw Companies Inc.
[r] Revenues for the 31 weeks ended Sept. 6, 1980 prior to the acquisition by Dayton Hudson.
[ss] Includes a loss of sales of securities to parent company of $1,226 before taxes.
[zzz] Division of Equitable of Iowa Companies.
[t] Includes sales and earnings of the predecessor company for the quarter ended Nov. 30, 1979.

For more information circle 36 on reply card.

$100 MILLION CLUB

	SALES		EARNINGS		COMPARATIVE SALES			UNITS		
Chain	Most Recent Fiscal Year (000)	Prev. Fiscal Year (000)	Most Recent Fiscal Year (000)	Prev. Fiscal Year (000)	Most Recent Fiscal Year	Prev. Fiscal Year	Employees Current	Most Recent Fiscal Year	Prev. Fiscal Year	Units To Be Built In 1981
276. Big Bear (CA)	134,064*	117,600*	N/A	N/A	N/A	N/A	1,500	56	53	1
277. Nob Hill	132,360	96,249	1,361	1,149	N/A	N/A	930	15	12	1
278. Ward's Co.	131,861	119,609	2,701	2,286	N/A	N/A	1,052	82	76	3
279. Chicago Market	131,100	115,000	N/A	N/A	N/A	N/A	1,114*	20	21	0
280. Scot Lad Foods****	130,356*	114,347	N/A	N/A	N/A	N/A	N/A	23	25	N/A
281. Rice Food	130,000	144,000*	N/A	N/A	N/A	N/A	1,400*	41	40	N/A
282. Hamady Bros.	130,000	117,000*	N/A	N/A	N/A	N/A	2,800*	45	25	N/A
283. Athlete's Foot	130,000*	110,000*	N/A	N/A	N/A	N/A	N/A	400*	354*	30
284. Kobacker	129,821	112,157	2,539	3,023	+15.7%*	+34.2%*	2,400	341	329	25
285. Lanoga	129,000*	135,000*	N/A	N/A	N/A	N/A	N/A	118	117	6
286. Besco	128,000*	94,500*	N/A	N/A	N/A	N/A	N/A	21	13	N/A
287. Farmer's Market	128,000	124,000	N/A	N/A	N/A	N/A	500*	23	27	1
288. D'Urso	127,000	110,000	2,500	1,500*	N/A	N/A	1,500*	18	18	0
289. Charming Shoppes	126,104	103,915	10,324	8,240	+21.4%*	+22.0%*	4,200	212	159	48
290. ZCMI	126,000	122,310	2,930	4,527	N/A	N/A	2,500*	7	6	1
291. Century House	126,000*	115,000*	N/A	N/A	N/A	N/A	N/A	58	57	N/A
292. Kay Jewelry#	125,520	110,090	15,016	14,292	N/A	N/A	2,140	313	256	24*
293. Eberhard	125,000*	101,743	N/A	N/A	N/A	N/A	1,200	29	29	2
294. Big Y Supers	125,000	117,000	N/A	N/A	N/A	N/A	1,100*	18	16	1
295. Boscov's	125,000*	100,200	N/A	N/A	N/A	N/A	3,000	8	6	0
296. Dahl's Food Markets	125,000*	110,000	N/A	N/A	N/A	N/A	1,000	10	10	1
297. Shop N' Go	124,897	94,570	4,954	3,187	N/A	N/A	1,800*	412	381	15
298. Genovese	122,012	97,447	516	1,557	N/A	N/A	1,700*	58	53	23
299. Big John's	122,000*	88,000	N/A	N/A	N/A	N/A	1,250*	110	80	15
300. Magic Mart**	121,972	112,194	N/A	N/A	N/A	N/A	5,000*	99	98	0
301. Optel	120,876	104,062	2,672	2,277	N/A	N/A	1,400*	159	163	10
302. Thriftway	120,000	110,000	N/A	N/A	N/A	N/A	N/A	18	18	N/A
303. Winn's	120,000*	80,000*	N/A	N/A	N/A	N/A	N/A	224	184	N/A
304. White Stores	119,700*	105,000	N/A	N/A	N/A	N/A	1,812	59	60	1
305. United Supers	119,700*	105,000	N/A	N/A	N/A	N/A	1,500*	36	36	0
306. Gaylord's	119,649	123,172	553	303	N/A	N/A	3,200*	41	44	2
307. Frank's Nursery	119,345	100,355	3,997	3,633	1,387,733‡*	1,303,000‡*	17,000*	86	77	4
308. Danner's 3-D	118,270	107,687	N/A	N/A	N/A	N/A	N/A	56	53	N/A
309. Dan's Supreme	116,000	112,000*	616	N/A	N/A	N/A	N/A	26	26	N/A
310. Royal Farms	115,000*	105,000	N/A	N/A	N/A	N/A	1,400*	20	20	5
311. Wolohan Lumber	115,000*	136,000*	N/A	N/A	N/A	N/A	N/A	36	34	4
312. Great Scott Foods	114,000*	100,000	N/A	N/A	N/A	N/A	1,500*	15	15	1-3
313. Zippy Mart Inc.	114,000*	100,000	N/A	N/A	N/A	N/A	1,500*	315	315	15
314. Warehouse Groc. Management	114,000*	100,000	N/A	N/A	N/A	N/A	550*	10	11	1
315. Cub Foods	114,000*	100,000	N/A	N/A	N/A	N/A	N/A	7	6	N/A
316. Belara's	114,000*	100,000	N/A	N/A	N/A	N/A	N/A	16	16	1
317. Pic 'N' Save	113,550	85,325	14,761	10,259	N/A	N/A	1,700	72	67	3-8
318. Value City	113,000*	97,000*	N/A	N/A	N/A	N/A	N/A	24	17	N/A
319. Harmon's	112,595	92,090	N/A	N/A	N/A	N/A	1,100	4	4	1-2
320. Waremart	112,000	86,000	N/A	N/A	N/A	N/A	675	18	16	1
321. Inserra Supers	112,000	110,000	N/A	N/A	N/A	N/A	2,200	14	8	1
322. Schottenstein Stores#	111,293	96,879	6,755	6,215	+14.9%*	+16.6%*	2,500	35	28	N/A
323. Haverty	110,937	105,968	2,496	2,109	N/A	N/A	1,490	68	68	4
324. Morton Shoe*****	110,529	103,931	2,308	2,080	N/A	N/A	N/A	1,000	823	N/A
325. Erb Lumber#	110,446	121,739	4,451§	4,084§	N/A	N/A	650	36	34	1
326. McRae's	110,000	N/A	N/A	N/A	N/A	N/A	2,700*	15	14	0
327. Farm Stores Inc.	110,000	85,000	N/A	N/A	N/A	N/A	3,500*	251	251	12
328. Phillips-Van Heusen Corp.#	108,530	108,677	5,356§	7,705§	− 0.1%*	+ 2.4%*	9,000§	71	73	N/A
329. Forest City Ent.#	108,112	100,138	(2,849)***	2,336	92†	87†	2,000	21	20	0
330. Sky City	107,000*	97,000*	N/A	N/A	N/A	N/A	N/A	64	59	N/A
331. Manhattan Ind.#	106,365	147,229	6,495¶	2,878¶	−27.8%*	+ 7.4%*	1,900	12	12	2
332. Moore Handley******	105,000	104,700	N/A	N/A	2,100,000‡*	2,094,000‡*	1,400	50	50	1
333. W. Bell	105,000*	95,000*	N/A	N/A	N/A	N/A	N/A	14	13	N/A
334. J. L. Brandeis	103,600	104,500	N/A	N/A	N/A	N/A	N/A	10	15	0
335. Eagle Family Stores	101,000*	92,000	N/A	N/A	N/A	N/A	N/A	221	221	N/A

† Sales per square foot
‡ Sales per store
Same store sales
¶ Operating profit
§ Corporate parent's figures

* Estimate
# Retail division only
N/A Not available or not applicable
** 53 weeks
( ) Loss

****Company-owned stores.
**Division of Sterling Stores.
*****Includes Morton Shoe stores and Hampshire Manufacturing.
***Operating loss before taxes.
******Division of Union Camp Corp.

$100 MILLION CLUB

Chain and Division	Volume Most Recently Compl. Fiscal Year (000)	Volume Prev. Fiscal Year (000)	Units Most Recently Compl. Fiscal Year	Units Prev. Fiscal Year
The Kroger Co.	$10,317,000	$9,029,000	1,759	1,738
Kroger Food Stores	9,682,000	8,462,000	1,245	1,234
SupeRx Drug Stores	635,000	567,000	514	504
Lucky Stores	$ 6,468,682	$5,815,927	1,511	1,472
Food Stores	4,169,400	3,692,200	532	509
Lucky				
Eagle				
Food Basket				
Kash N' Karry				
Department Stores	1,665,400	1,520,000	83	76
Gemco				
Memco				
Specialty Stores	230,400	227,200	313	322
Pic-A-Dilly				
It's-A-Dilly				
Yellow Front				
L&G				
Automotive	189,400	164,000	280	237
Kragen				
Dorman's				
Checker				
Fabric	136,500	133,000	167	158
Hancock				
Fabric Warehouse				
Restaurant	77,600	79,500	136	170
Sirloin Stockade				
Fred Gang's				
Cinder's				
American Stores**	$ 6,419,884	$6,120,963*	1,067	1,016
Supermarkets	4,819,884	4,620,963	695	684
Acme Markets			364	360
Alpha-Beta			331	324
Drug	1,600,000	1,500,000	392	332
Rea & Derrick			146	135
Skaggs			246	197

* Sales and earnings stated on a pro forma basis assuming the combination of Skaggs Cos. and the former American Stores occurred at the start of fiscal 1979

** Divisional sales estimated

Sales figures include 49 Alphy's restaurants

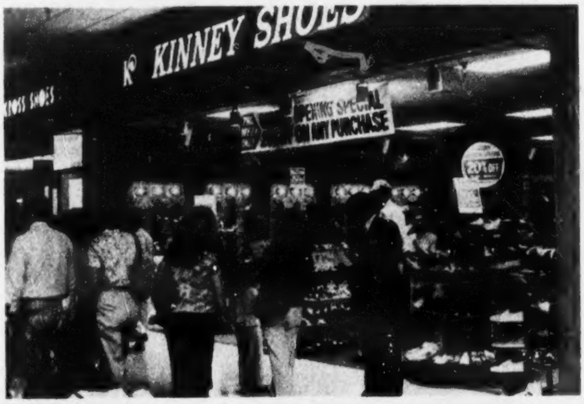
Chain and Division	Volume Most Recently Compl. Fiscal Year (000)	Volume Prev. Fiscal Year (000)	Units Most Recently Compl. Fiscal Year	Units Prev. Fiscal Year
Federated Department Stores	$ 6,301,000	$5,806,000	358	346
Supermarkets			96	97
Ralphs	980,800	882,700	96	97
Department Stores			193	183
Bloomingdale's	566,800	518,200	15	15
Abraham & Straus	547,600	512,000	12	11
Burdine's	498,800	407,000	21	19
Foley's	453,000	412,200	10	9
Bullock's (L.A.)	447,400	405,300	22	20
Rich's	351,700	328,800	17	15
Lazarus	332,800	325,400	15	14
Filene's	288,700	267,700	15	15
Sanger-Harris	262,100	240,700	12	11
I. Magnin	238,400	205,800	24	24
Shillito's	215,100	211,600	9	9
Rike's	115,500	122,900	5	5
Goldsmith's	110,900	112,100	4	4
Boston Store	101,300	99,100	6	6
Bullock's North	75,700	74,700	5	5
Levy's	39,400	36,700	1	1
Mass Merchandising			69	66
Gold Circle	390,700	387,800	42	42
Richway	233,900	205,400	21	18
Gold Triangle	50,100	50,300	6	6
F. W. Woolworth Co.*	$ 4,687,000	$4,433,000	3,970	3,799
Woolworth**	1,700,000	1,645,000	1,361	1,390
Woolco***	2,054,000	1,895,000	364	320

Chain and Division	Volume Most Recently Compl. Fiscal Year (000)	Volume Prev. Fiscal Year (000)	Units Most Recently Compl. Fiscal Year	Units Prev. Fiscal Year
Kinney Shoe Corp.	814,000	926,000	1,963	1,747
Kinney Stores			1,491	1,383
Susie Casual Stores			275	244
Foot Locker Stores			197	120
Richman Brothers	179,000	184,000	326	298

* Figures are for U.S. only

** Includes sales for Shirt Closet

*** Includes sales for J. Brannam



Chain and Division	Volume Most Recently Compl. Fiscal Year (000)	Volume Prev. Fiscal Year (000)	Units Most Recently Compl. Fiscal Year	Units Prev. Fiscal Year
Jewel Companies	$ 4,267,922	$3,684,929	1,248	1,111
Supermarkets	3,021,989	2,817,944	345	357
Jewel Food Stores			207	214
Star Market			53	60
Buttery Food Stores			53	51
Eisner Food & Agency Stores			32	32
Drug Stores*	859,903	608,304	426	263
Osco Drug			280	263
Sav-On Drug			146	
Other Operations Including:	386,030	258,681	477	491
White Hen Pantry			244	238
Jewel T Discount Grocery Stores			138	158
Brigham's			95	95

* Includes Sav-On Drugs Inc. since its acquisition on Nov. 6, 1980.

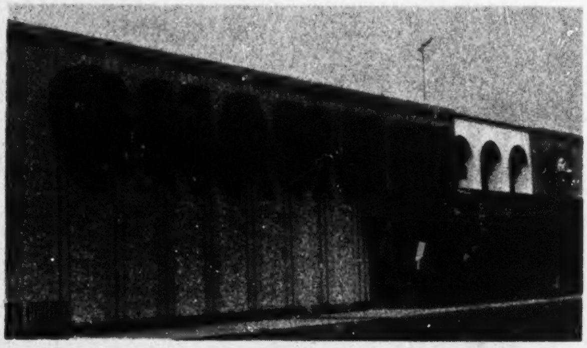
Chain and Division	Volume Most Recently Compl. Fiscal Year (000)	Volume Prev. Fiscal Year (000)	Units Most Recently Compl. Fiscal Year	Units Prev. Fiscal Year
Dayton Hudson	$4,033,500	$3,384,800	831	661
Target	1,531,698	1,120,548	137	80
Mervyn's	826,922	665,963	69	60
Department Stores				
Hudson's	641,532	652,038	18	16
Dayton's	382,113	357,027	16	15
Diamonds	123,062	115,759	10	9
John A. Brown	57,173	48,945	6	5
Specialty Merchandisers				
B. Dalton Book Seller	255,647	209,852	517	420
Lechmere	162,687	176,870	6	6
Dayton Hudson Jewelers	52,702	47,847	52	50
City Products	$3,719,500	$3,198,100	1,207	1,228
T.G. & Y.	1,684,000	1,486,000	915	935
Vons	1,774,000	1,473,400	163	161
Whites	113,500	96,400	88	92
Home Furnishings	148,000	142,300	41	40
Huffman-Koos			14	14
Barker's			16	15
Colby's			4	4
American Furniture			7	7

Chain and Division	Volume Most Recently Compl. Fiscal Year (000)	Volume Prev. Fiscal Year (000)	Units Most Recently Compl. Fiscal Year	Units Prev. Fiscal Year
May Department Stores	$3,150,000	$2,957,000	1,156	984
Department Stores**				
May Co. (Calif.)	547,825	501,460	31	29
Hecht Co.	336,825	315,675	21	20
Famous Barr	316,401	302,511	12	12
Kaufmann's	269,427	253,698	10	10
May-Cleveland	212,127	207,358	10	10
Meir & Frank	167,025	148,291	7	6
G. Fox	159,470	144,522	8	7
O'Neill's	123,841	121,532	10	10
May D&F	105,029	99,271	9	9
Strouss	76,179	75,350	9	9
May-Cohens	44,764	42,230	6	6
Venture Stores	561,000	536,000	45	45
Volume Shoe	230,000	191,000	978	811
Payless Shoe Source				

** Divisional sales estimated

Chain and Division	Volume Most Recently Compl. Fiscal Year (000)	Volume Prev. Fiscal Year (000)	Units Most Recently Compl. Fiscal Year	Units Prev. Fiscal Year
Carter Hawley Hale**	$2,632,900*	$2,408,000	855	753
Department Stores				
Broadway So. Calif.	646,534	613,800	40	40
Emporium/Capwell	417,196	391,223	19	18
John Wanamaker	328,179	321,415	16	16
Thalhimer	163,206	154,968	24	23
Weinstock's	152,986	140,814	12	10
Broadway Southwest	92,314	85,574	9	9
High Fashion				
Specialty Stores	494,400	431,800	[illegible]	31
Bergdorf Goodman			1	1
Holt, Renfrew			18	18
Neiman-Marcus			14	12
Specialized Merchandising Operations	337,700	268,400	703	606
Contempo Casuals			45	35
Waldenbooks			658	571
* Includes the results of Sunset House ** Divisional sales estimates				
Supermarkets General	$2,628,851	$2,372,574	287	278
Pathmark	2,292,100	2,068,300	116	114
Department Stores	173,100	159,500	37	36
Hochschild, Kohn				
Howland-Steinbach				
Rickel Home Centers	163,700	144,800	30	26
Drug store sales included in Supermarket sales				
R. H. Macy & Co.**	$2,373,531	$2,058,048	87	83
Macy's New York	804,237	704,870	15	15
Bamberger's	697,038	564,773	20	21
Macy's California	564,099	457,700	19	17
Davison's	190,913	160,777	12	11
Macy's Missouri-				
Kansas	180,400	125,899	13	12
La Salle's		44,031	8	7
** Divisional sales estimated				
Melville	$2,332,244	$2,022,770	4,547	4,169
Footwear				
Meldisco	629,212	572,692	1,775	1,585
Thom McAn	469,605	449,872	1,244	1,210
Vanguard/Open Country	15,618	11,214	73	52
McElwain*	22,242	10,895	—	—
European	1,102	1,099	—	—
Apparel				
Marshalls	460,841	342,057	84	69
Foxmoor	171,484	146,172	527	455
Chess King	121,639	109,757	436	381
Metro*ᴬ	24,170	30,232	—	—
Clothes Binᴮ	2,019	12,627	—	33
Drug				
CVS	414,312	336,153	408	384
Sales include manufacturing operations of Melville footwear manufacturing and Metro pants. ᴬ Discontinued operations in 1980 ᴮ 23 stores were closed and 10 were transferred to Foxmoor in 1980 * Interdivisional sales (principally by the McElwain Division) of $115,606,000 in 1980 and $112,025,000 in 1979 are excluded.				
Allied Stores**	$2,267,711	$2,210,301	226	215
Jordan Marsh (N.E.)	387,116	373,395	14	14
Joske's	295,734	286,432	27	27
Bon Marche	305,333	279,457	32	27
Mass Brothers	259,119	251,921	19	18
Jordan Marsh (Fla.)	184,825	175,512	13	12
Pomeroy's	121,381	119,235	14	14
Stern's	117,281	111,696	7	7
Donaldson's	100,760	97,825	10	10
Gertz	88,211	91,577	4	5
Bonwit Teller	84,000	84,000	11	11
Block's	80,187	78,155	8	8
Read's	72,325	71,538	5	5
Cain-Sloan	57,622	56,492	4	4
Troutman's	40,170	38,924	8	8
Dey Brothers	38,380	37,925	4	4
Plymouth	37,151	33,300	36	31
Misc. Dept. Stores:	34,269	22,917	10	10
Herp's			2	2
Heer's			2	2
Wren's			2	2
Field's			1	1
Levy's			1	1
Mullers			1	1
Hardy-Herpolsheimer			1	1
Dillon Companies	$2,077,264	$1,792,217	553	521
Supermarkets	1,879,462	1,629,371	212	198
King Sooper			53	50
Dillon Stores			57	50
Fry's Food Stores			54	53
City Market			25	24
Dillon Springfield			23	21
Convenience Stores	178,118	143,298	324	305
Kwik Shop			122	113
Time Saver Stores			116	101
Quik Stop Market			86	91
All other operating companies	19,685	19,547		
D. G. Calhoun			17	18
Jackson Ice Cream Co.				

$100 MILLION CLUB



Chain and Division	Volume Most Recently Compl. Fiscal Year (000)	Volume Prev. Fiscal Year (000)	Units Most Recently Compl. Fiscal Year	Units Prev. Fiscal Year
Stop & Shop Companies	$2,059,183	$1,878,864	372	352
Stop & Shop Supermarkets	1,292,090	1,224,656	144	151
General Merchandise				
Bradlees	634,286	540,059	89	83
Medi-Mart	98,991	90,654	46	45
Off the Rax	20,281	11,150	44	25
C. B. Perkins	13,056	12,031	49	48
Brown & Williamson Industries	$2,038,000	$1,864,000	166	169
Specialty Stores	704,000	592,000	50	57
Saks			31	31
Kohl's			13	23
Thimbel's			6	3
Department Stores	700,000	661,000	39	38
Gimbels-N.Y.			11	10
Gimbels-Milwaukee			11	12
Gimbels-Philadelphia			10	10
Gimbels-Pittsburgh			7	6
Supermarkets	634,000	611,000	77	74
Kohl's				
Associated Dry Goods**	$1,952,200	$1,783,000	215	197
Department Stores	1,492,000	1,357,000	133	130
J. W. Robinson (Calif.)	320,000	250,000	19	18
L. S. Ayres	170,000	121,481	12	12
Joseph Horne	150,000	177,712	13	13
Stix, Baer & Fuller	141,500	179,390	14	14
Stewart & Co.	110,000	68,880	5	5
Sibley, Lindsay & Curr	105,000	113,923	9	9
Hahne & Co.	102,000	79,923	8	7
Denver Dry Goods	100,000	88,674	13	13
Goldwaters	56,000	49,173	7	6
Pogue's	55,000	50,871	5	5
Stewart Dry Goods	55,000	50,511	7	7
Robinson's (Fla.)	50,000	44,560	7	7
Powers Dry Goods	42,500	35,916	7	7
William Hengerer	20,000	24,075	5	5
The Diamond	15,000	12,650	2	2
Specialty Stores	460,000	406,000	82	67
Lord & Taylor			36	34
Sycamore			46	33
** Divisional Sales Estimated				
Wickes	$1,877,444	$2,216,490	3,039	3,016
Home Center**	785,000	815,000	1,185	1,176
Gambles			850	852
Wickes Lumber			280	271
Builders Emporium			55	53
General Merchandise	518,447	352,291*	1,294	1,347
Mode O'Day			750	747
Leath-Maxwell Stores			125	127
Howard Brothers			100	95
Rasco-Tempo			97	105
Woman's World			84	70
J. M. McDonald			70	68
House of Fabrics			N/A	67
Toy World			53	49
Gambles Department Stores			15	19
Food and Drug	452,593	799,834*	560	493
Red Owl			369	361
Snyder's			156	132
Country Stores			35	N/A
Catalog	121,404	249,365*	N/A	N/A
Aldens				
* Prior to acquisition by Wickes; ** Divisional sales estimated				
Rapid American	$1,668,000	$1,651,000	1,744	1,631
Lerner Stores	686,000	705,000	717	637
McCrory Stores	674,000	619,000	753	715
Otasco	259,000	256,000	266	261
Britts	49,000	71,000	8	18
Zayre	$1,594,235	$1,549,729	531	528
Discount Department Stores	1,347,792	1,344,604	248	254
Zayre				
Specialty Stores	246,443	205,125	283	274
Hit or Miss			240	244
T. J. Maxx			43	30
W. R. Grace	$1,120,000	$ 974,000	613	572
Home Centers	707,000	625,000	254	233
Handy Dan/Angels			100	86
Channel			85	80
Handy City			46	39
Cashway/Allwoods			12	11
Orchard Supply			9	8
Jewelry & Sporting Goods	274,000	229,000	155	142
J. B. Robinson Jewelers			63	
Herman's World of Sporting Goods			92	
Leisure Apparel	139,000	120,000	204	197
Diana			146	
Bermans the leather experts			50	
Sheplers			8	
SCOA Industries	$ 941,713	$ 880,199	937	941
General Merchandising	712,705	623,385	222	210
Hills Dept. Stores			86	80
Rudnick			89	83
Dry Goods			4	4
Kelly & Cohen			43	43
Footwear	229,008	256,814	715	731
Gallenkamp & Duet				
Eighty six (86) of the eighty-nine (89) Rudnick stores are outlets in Hills Department Stores. Sales include manufacturing operations of Norrwock Shoe Company, and SCA International importing subsidiary.				
Edison Brothers	$ 853,389	$ 793,395	1,972	1,792
Edison Brothers	473,960	441,930	1,125	1,034
Handyman	193,513	186,354	75	69
Jeans West/Oak Tree			316	270
Size 5-7-9 Shops	185,916	165,111	200	186
Fashion Conspiracy			256	233

$100 million club index

Adams Drug—207.
Albertson's—20.
Fred Albrecht—192.
Alexander's—96.
Allied Stores—25.
Allied Supermarkets—92.
Almac's—159.
Alterman's/Big Apple—99.
B. Altman & Co.—221.
American Can—67.
American Stores—9.
Ames—151.
Angelo's Supermarket—227.
Ann & Hope—249.
C. R. Anthony—157.
A&P—7.
Arden Group—94.
Associated Dry Goods—30.
Athlete's Foot—283.
Ayr-Way—248.
Basco—286.
Basha—265.
Batus—29.
A. J. Bayless—140.
B & B Food—268.
W. Bell—333.
P. A. Bergner—246.
Best Products—60.
Big Bear Stores (OH)—138.
Big Bear Supermarkets (CA)—276.
Big Discount Wonder Markets—256.
Big John's—299.
Big V Supermarkets—126.
Big Y Supermarkets—294.
Bi-Lo—83.
Boise Cascade—77.
Borman's—49.
Boscov's—295.
The Boys—162.
J. L. Brandeis—334.
Brooks Fashion—261.
Brookshire—156.
Brown Group Inc.—90.
Bruno's—112.
Butera's—316.
H. E. Butt—50.
Cala Foods—270.
Caldor—75.
Carson Pirie Scott—87.
Carter Hawley Hale—21.
Century House—291.
Century Housewares—274.
Chatham—106.
Charming Shoppes—289.
Chicago Market—279.
Child World—225.
Chromally Corp.—337.
Circle K Corp.—81.
City Products—13.
Cole National—231.
Color Tile—208.
Community Cash Supermarkets—241.
Conna Corp.—220.
Consumer's Distributing—82.
Consumer's Market—215.
Cook United—121.
Coppe—206.
Country Club—202.
Cub Foods—315.
Cullem—58.
Cumberland Farms—132.
Cunningham Drugs—217.
Dahl's Food Markets—296.
Danner's 3-D—308.
Dan's Supreme—309.
Dart Drug—182.
Dayton Hudson—16.
Delchamps—147.
DeMoulas—124.
Diamond International—169.
Dillard—111.
Dillon—27.
Dollar General—204.
Drug Fair—166.
Duckwall-ALCO—229.
D'Urso—288.
Eagle Family Stores—335.
Eberhard Foods—293.
J. Eckerd—37.
Edison Brothers—59.
Edward Hines Lumber—176.
84 Lumber—102.
Elder-Beerman—212.
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Farm Stores—327.
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Fay's Drug—188.
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Federated Dept. Stores—10.
FedMart—[illegible]7.
First National—40.
Fisher Foods—36.
S. M. Flickinger—173.
Foodarama Supermarkets—123.
Food Fair—43.
Food Lane—222.
Foodtown Stores—91.
Food World (NC)—232.
Forest City Enterprises—329.
Frank's Nursery—307.
Fred Meyer—51.
Furr's—85.
The Gap—139.
Garfinckel, Brooks Brothers, Miller & Rhoads Inc.—110.
Gaylord's—306.
General Mills—145.
General Nutrition Corp.—190.
Genesco—233.
Genovese—298.
Gerland's Food—244.
Giant Eagle—100.
Giant Food—35.
Giant Food (PA)—228.
Giant Food (TN)—234.
Gibson Products—42.
Glosser Bros.—230.
Goldblatt—178.
Golden Dawn Food—264.
Gorden Jewelry—113.
W. R. Grace—44.
Grand Auto—336.
Grand Central—197.
Grand Union Company—18.
Great Scott Foods—312.
Grey Drug—115.
Hamady Brothers—282.
Handy Andy Food—183.
Hannaford Brothers—109.
Hardings Friendly Markets—272.
Harmon's—319.
Harris Teeter—141.
Hartfield Zodys—142.
Hart, Schaffner & Marx—128.
Haverty—323.
Hechinger—235.
Heck's—119.
Hess's—245.
Higbee—213.
D. H. Holmes—218.
Hook Drug—195.
Houchens—224.
House of Fabric—247.
Hughes Markets—150.
Hy-Vee—65.
Ingles Markets—154.
Inserra Markets—321.
Interco—79.
Jacobson's—253.
Jamesway—174.
Jewel Companies—15.
Jewelcor—275.
Jitney Jungle—172.
Kay Jewelry—292.
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King's Dept. Stores—68.
K mart—3.
Kobacker—284.
Koffler Stores—64.
Kroger—5.
Kuhn's Big K—168.
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Lanoga—285.
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Liberty House—177.
The Limited—179.
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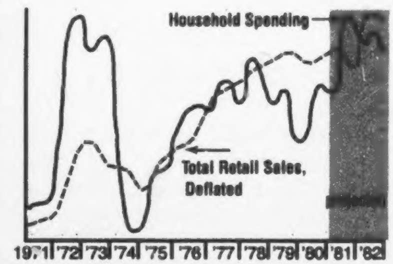
Little General—238.
Loehmann's—223.
Longs—55.
Lowe's Cos.—56.
Lowe's Food—200.
Lucky Stores—8.
R. H. Macy & Co.—23.
Magic Mart—300.
I. Magnin—194.
Malone & Hyde—269.
Man Dell—273.
Manhattan Industries—331.
Marshall Field—48.
Marsh Supermarket—104.
May Dept. Stores—19.
McRae's—326.
Meijer—76.
Melmarkets—226.
Melville—24.
Mercantile Stores—45.
Milgram Food—199.
Miller-Wohl—214.
Minyard Food—198.
Modern Merch[illegible]sing—73.
Montgomery Ward—11.
Moore Handley—332.
Morse Shoe—116.
Morton Shoes—324.
Motts Supermarket—180.
Munford—158.
G. C. Murphy—63.
Nash Finch Co.—117.
National Convenience—118.
National Tea Co.—39.
Niagara Frontier—136.
S. E. Nichols—201.
Nob Hill—277.
Nordstrom—127.
Ohrbachs—260.
Optel Corp.—301.
Oshman's—266.
Pamida—152.
The Pantry—196.
Payless Cashways—137.
Payless Drug NW—66.
Pay 'N Pak—254.
Pay 'N Save—62.
Peavey—210.
Penn Traffic—122.
J. C. Penney—4.
Peoples Drug—88.
The Pep Boys—216.
Perry Drug—271.
Petrie Stores—107.
Petrolane—80.
Phillips Van Heusen—328.
Pic 'N' Save—317.
Pier 1 Imports—251.
Piggly Wiggly (SO)—148.
Pneumo Corp.—72.
H. C. Prange—205.
Price Chopper—101.
Publix—26.
Pueblo International—133.
Purity Supreme—103.
Quiktrip Corp.—239.
Randall—189.
Rapid American—32.
Raleys—105.
Red Food Stores—181.
Revco—46.
Rice Food—281.
Rite-Aid Corp.—53.
Rosauer's—243.
Roses Stores—93.
Royal Farms—310.
Safeway Stores—2.
Peter J. Schmitt—242.
Schnuck Markets—89.
Schwegmann—149.
Schottenstein Stores—322.
Schulz Sav-O Stores—161.
SCOA—54.
Scotty's—186.
Scot Lad Foods—280.
Scrivner's—78.
Searle Optical—219.
Sears, Roebuck—1.
Seaway Food Town—144.
Sentry Stores—125.
Service Merchandise—57.
Shaws—164.
Sherwin Williams—97.
Shop N' Go—297.
Shopwell—135.
Singer Supermarket—263.
Sky City—330.
Sloan's Supermarkets—255.
Smith's—69.
Smitty's—130.
Southland Corp.—14.
Spencer Gifts—203.
Sprouse-Reitz—267.
Star Markets—171.
Stop & Shop—28.
Strawbridge & Clothier—134.
Sunflower—262.
Sunshine Stores—252.
Supermarkets General—22.
Super-Valu—114.
Sutherland Lumber—211.
Tamarkin—184.
Tandy Corp.—41.
Thorofare Markets—175.
Thrifti-Mart—120.
Thrift Drug—108.
Thrifty Corp.—52.
Thriftway—302.
Times Square Stores—167.
Toys "R" Us—86.
Tradewell Stores—163.
Twin Fair—185.
United Dept. Stores—153.
United Supermarkets—305.
U.S. Shoe—95.
U-Tote 'M—155.
Value City—318.
Victory Markets—170.
Village Supermarkets—187.
Vornado—84.
Waldbaum's—38.
Walgreen's—34.
Wal-Mart—31.
Ward's Co.—278.
Warehouse Groceries Mgmt.—314.
Waremart—320.
Wawa—240.
Wegmann's—146.
Weis Markets—71.
West Building—258.
Western Auto—74.
White Stores—304.
Wickes—17.
Wieboldt—237.
H. J. Wilson—165.
Winn-Dixie—12.
Winn's—303.
Wolohan Lumber—311.
Woodward & Lothrop—160.
F. W. Woolworth—6.
Younkers—250.
Zale—61.
Zayre—33.
ZCMI—290.
Zippy Mart—313.

Peg 3rd quarter gains at nearly—6%



Total Retail

Sales Change By Quarter / **12-Month % Change**

	'80 1Q %	'80 2Q %	'80 3Q %	'80* 4Q %	'81* 1Q %	'81* 2Q %	'81* 3Q %	'81* 4Q %	'79 %	'80 %	'81* %
Sales include inflation	9.4	5.0	5.9	7.3	10.0	13.8	12.1	11.0	11.0	7.0	12.0
Real sales (Deflated)*	-1.2	-5.0	-4.2	-2.9	-0.5	5.7	5.8	6.8	1.0	-3.0	5.0

Base = April 1981 Sales
*Projected

Heading into the final turn of 1981, general retailing is beginning to pull back slightly from previous rates-of-gain, according to the latest L/F Econocycle projections.

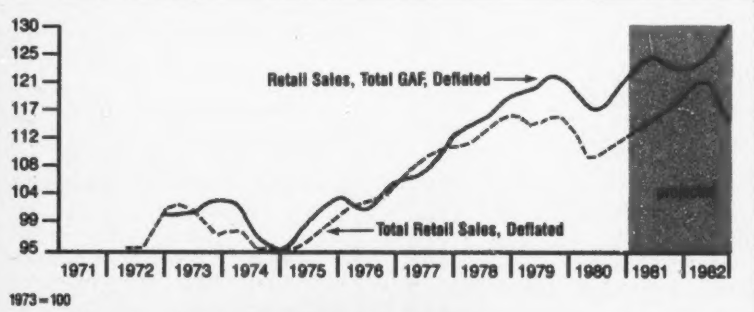
All retailing is expected to rack up a solid 6% across-the-board increase for the quarter ending next month—but signs are beginning to emerge in several key retail groups that a sales "wind-down" will begin in late October, leading to lower fourth quarter gains than previously forecast.

Several retail sectors are expected to override the trend, however:

- Apparel specialists are still outrunning all retail markets, heading off a projected 8% annual gain.
- Department and discount stores continue to show high vital-growth signs through the current period. Department stores are coming off a strong 6.7% second quarter increase into a projected 7%-plus third period gain. And discounters are holding onto steady 5%-plus gains for both second and third quarters.
- Building/home center retailers also hold relatively strong sales-positions in the third quarter stats, but activity is expected to fall off sharply after October, according to L/F's computer model.

The L/F Econocycle projection pegs general retail gains for August at 6%, nosing up to nearly 7% in September and October.

Household spending (chart above) is still paralleling the general trend lines—at a rate of roughly 4% to 5% ahead of 1980 for these same sales periods. This is expected to continue in the short-term.



Sales/Include Inflation
% Change By Quarter

		[illegible]	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	[illegible]	11.0	10.2	7.2	11.9	10.5	3.3	9.1	6.1
	2Q	[illegible]	10.3	9.3	-8.4	11.2	2.5	4.6	4.8	4.3
	3Q	[illegible]	11.2	8.3	-1.5	10.3	1.0	4.3	4.3	3.5
	4Q	[illegible]	10.6	7.2	8.5	14.1	5.1	6.4	5.8	5.8
1981	1Q*	[illegible]	10.4	6.6	8.5	10.1	8.3	9.7	7.9	8.4
	2Q*	[illegible]	10.7	10.5	19.8	9.3	13.9	11.6	11.5	12.1
	3Q*	[illegible]	8.3	10.8	15.5	8.7	12.3	12.4	10.0	11.0
	4Q*	[illegible]	8.0	8.9	5.4	5.8	12.0	12.4	6.4	8.9
% change 12 mos.	1979	[illegible]	12.0	13.0	12.0	11.0	15.0	7.0	9.0	10.0
	1980	[illegible]	11.0	9.0	-3.0	12.0	5.0	5.0	6.0	5.0
	1981*	[illegible]	9.0	7.0	12.0	8.0	12.0	12.0	9.0	10.0

Real Sales (Deflated)*
% Change By Quarter

		[illegible]	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	[illegible]	5.8	0.0	-2.6	3.8	4.9	-1.4	1.9	1.8
	2Q	[illegible]	4.9	-0.1	-17.6	2.0	-3.4	0.5	-2.4	-2.0
	3Q	[illegible]	2.0	-0.9	-18.5	0.5	-5.8	-0.2	-3.4	-3.3
	4Q	[illegible]	-0.6	-1.8	-10.4	3.9	-1.1	1.5	-2.0	-1.1
1981	1Q	[illegible]	-1.4	-2.6	-1.2	-0.0	2.1	5.8	0.9	2.2
	2Q*	[illegible]	-0.6	1.6	11.3	0.7	8.5	7.4	5.1	6.3
	3Q*	[illegible]	1.5	2.3	7.4	1.6	6.9	8.8	4.3	5.8
	4Q*	[illegible]	4.6	1.1	-2.3	0.2	5.0	9.6	0.5	3.4
% change 12 mos.	1979	[illegible]	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980*	[illegible]	3.0	-0.7	-12.0	3.0	-1.0	0.1	-2.0	-1.0
	1981*	[illegible]	1.0	0.6	4.0	0.6	6.0	8.0	3.0	4.0

Base = April 1981 Sales *Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (*above, facing*) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Department of Commerce.

Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

C5150-4

Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine of retail operations

September 1981

Surveying consumer attitudes: Why they shop some centers

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BIG BUILDERS 1981

Chain Store Age EXECUTIVE
with Shopping Center Age
The newsmagazine for retail operations

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Scotty's president has made his mark on Florida's landscape.

9 **The Limited: A dramatic turnaround**
Women's specialty chain survives self-analysis.

2 **Dynamic duo at G. C. Murphy**
Aggressive management team learns to 'bite the bullet.'

6 **G.I. Joe's takes Oregon beachhead**
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4 **Selling literature with the lettuce**
Supermarkets experiment with bookstores.

7 **Why they shop some centers**
Exclusive survey details changing consumer attitudes.

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the limited

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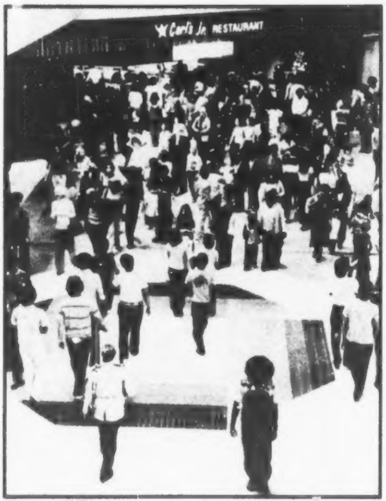

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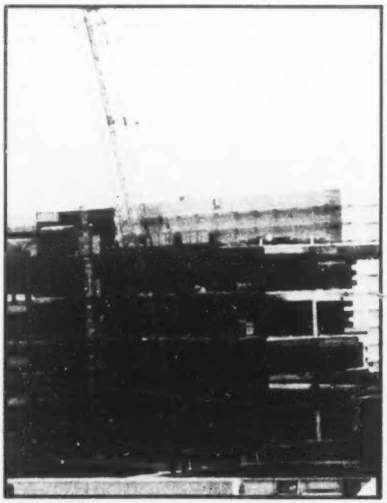

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Results of the 1981 survey suggest that mall and large center visits are up over three years ago.

Surveying consumer attitudes:
Why they shop some centers

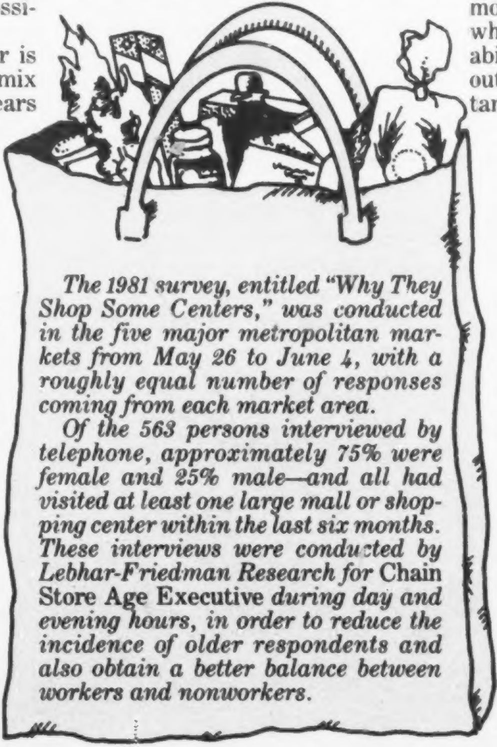
Compared with the typical consumer of three years ago, today's customer at a large mall or shopping center is doing more planning, shopping closer to home and completing more trips in the most efficient and economical manner possible.

In addition, the 1981 shopper is more satisfied with the tenant mix than her counterpart three years ago, and she's also likely to place greater emphasis on practicality—such as price, selection and convenience—than on amenities, such as sales help or food service.

These and other major conclusions were among the findings in a nationwide survey of consumer shopping habits conducted by *Chain Store Age Executive*. This study, patterned after a similar *CSA Executive* survey in March 1978, included telephone interviews of more than 550 people from five major markets: Atlanta, Boston, Dallas, Indianapolis and San Diego.

The 1981 research—designed to examine shopping habits at large centers and malls as well as measure changes in attitudes over the last three years—generally revealed that:

- In spite of higher gasoline prices and the need for better planning, shoppers still seem to be making more visits to large centers and malls than in 1978. Almost six in 10 consumers surveyed shop at a mall or center at least once a week, whereas only 37% of the respondents gave that answer three years ago.



The 1981 survey, entitled "Why They Shop Some Centers," was conducted in the five major metropolitan markets from May 26 to June 4, with a roughly equal number of responses coming from each market area.

Of the 563 persons interviewed by telephone, approximately 75% were female and 25% male—and all had visited at least one large mall or shopping center within the last six months. These interviews were conducted by Lebhar-Friedman Research for Chain Store Age Executive *during day and evening hours, in order to reduce the incidence of older respondents and also obtain a better balance between workers and nonworkers.*

- Store sales, convenient evening hours and the neighborhood around the mall or center are relatively more important to the 1981 shopper, while special events and the availability of restaurants or fast food outlets are significantly less important than in 1978.
- In a major shift of sentiment, less than one shopper in five (18%) now feels that her favorite mall or center contains too many stores of the same type. By contrast, almost seven in 10 consumers (68%) said there was an overabundance of similar outlets at their preferred shopping location three years ago.
- The demographic profile of frequent shoppers now differs in some important respects from the infrequent shopper, with the former somewhat better educated and more affluent than the latter. At the same time, the age, number of children and sex of the two groups are remarkably similar.

As for specific data on consumer habits and shopping preferences, the 1981 results strongly suggest that mall and large center visits are up over three years ago.

In the latest study, more than eight in 10 (85%) of the respondents said they had visited a mall or shopping center in the last six months, and the figure was 94% for those also shopping small centers. By contrast, 69% had been to a large center or mall within six months and only 55% had shopped in a small center, according to the 1978 survey.

Moreover, consumers are now visiting small centers more often than large centers or malls, a significant change from the 1978 shopper who tended to do just the opposite. In the 1981 study, respondents told *CSA Executive* that they shop small centers over large centers or malls by almost two to one (61% to 39%). However, the results of three years ago tell a different story, when 63% of the shoppers were making more trips to large centers or malls than small centers.

One explanation for this turnaround may be found in the increased numbers of working women, inasmuch as the most recent survey shows that nonworking females shop more often in large centers or malls while working women tend to visit small centers with greater frequency.

But regardless of whether a consumer shops at a large or small site, the demographic profile of the customer—except for work status—appears to be remarkably similar:

Consumer profile: 'We try to plan our trips around sales'

Ray Woods, 62, is sitting on a bench in the common area of a large enclosed mall, patiently waiting for his wife, Helen, 57, to finish her day's shopping so they can go home.

A few minutes later, she arrives and the two then spend about half an hour telling a reporter why they shop—and don't shop—some centers.

The Woods couple were not among the 563 consumers who took part in *Chain Store Age Executive's* 1981 survey of shopping habits conducted in five major metropolitan markets, including Atlanta, Boston, Dallas, Indianapolis and San Diego.

However, the in-depth answers they gave recently illuminate these nationwide findings—for the Woods are both typical and atypical of today's average shopper at a large mall or center.

At the outset, the Woods say that they now plan out their shopping trips more than they used to, a tendency exhibited by a greater number of consumers in 1981 (79%) than in the study done three years ago (63%).

Says Mrs. Woods: "We are doing more planning now. My husband's retired, so we have a lot of time but not that much money. We try to plan our trips around sales, and we try to do everything" in one trip.

Besides their interest in additional planning, the Woods are also representative of the 1981 sample because they place a greater emphasis on the practical aspects of shopping—such as price, selection and convenience—rather than on amenities, such as saleshelp or promotions.

For instance, in the 1981 study, 89% of the respondents said that reasonably priced merchandise was extremely or very important to them, and those same shoppers also cited wide variety/selection (82%) or adequate parking space (76%) as high priorities.

"When there's a sale, we know that there won't be that many salespeople," volunteers Mr. Woods. "But price is the most important consideration to us, and we're accustomed to waiting on ourselves." Adds Mrs. Woods, seconding her husband's emphasis on price, "I was looking for a white blazer today, but I think I'll wait until it comes down in price." Eventually, that blazer will go on sale, and she'll buy it then, Mr. Woods says.

Another key factor in determining where the couple shops is convenience, and the Woods point out that they live within five or six miles of their preferred mall. However, the two also say that they'd be willing to drive a little farther, provided that a competing mall or center offered them either better prices or selection.

Similarly, the 1981 nationwide survey found that the average consumer shopped at a mall or center located within about six miles from home, with 87% of the respondents traveling 10 miles or less and almost two-thirds (63%) driving five miles or less. By contrast, only 54% of the 1978 consumers shopped within five miles of home, while the number of shoppers driving 10 miles or less was the same in both studies.

In spite of their basic pragmatism, the Woods are still concerned with some of the amenities, especially because they often spend several hours in the mall or center and may visit a number of different majors or specialty tenants.

As a result, the Woods say that the presence of restaurants or fast-food outlets is important, although such services is not as important as price, selection or convenience. In addition, these two shoppers enjoy special events at the mall or center, and radio and newspaper advertisements often alert them to these promotions.

Finally, neither *CSA Executive* survey confirms it, but the Woods are probably representative of other couples around the nation in that the wife enjoys shopping more than her husband. Says Mr. Woods, "My wife likes to shop. But me? I'd rather sit here and just watch the people as they go by."

Saturday is still the most popular shopping day of the week, trailed by Wednesday, Friday and a Tuesday/Thursday tie.

these shoppers are more likely to be in the 30- to 49-year-old age bracket, and they're probably better educated and more affluent than those who haven't shopped in large or small centers within six months.

Demographics and shopping frequency aside, what do consumers look for in their favorite retail complex and what are their behavior patterns once they arrive at this preferred mall or shopping center?

In both the 1981 and 1978 studies, consumers were asked to evaluate the relative importance of 11 characteristics pertaining to malls or large centers. A comparison of the two surveys shows that today's shopper is more pragmatic than the consumer of three years ago, with considerations like price, variety and convenience gaining at the expense of amenities such as saleshelp or special mall promotions.

The survey reveals that working women tend to visit small centers or malls with greater frequency.

The five factors most often rated as extremely or very important in 1981 are shown below:

	1981	1978
—Reasonably priced merchandise:	(89%)	(78%)
—Wide variety/ selection:	(82%)	(78%)
—Adequate parking space:	(76%)	(71%)
—Convenience/ease of getting there:	(73%)	(70%)
—Knowledgeable saleshelp:	(67%)	(73%)

Of special note here, of course, is the decreased importance of sales help during the last three years, as well as the lower priority today's shoppers give to food service or special mall events.

In 1978, almost half of the survey respondents said that the availability of restaurants or fast food outlets was important to them, but only 25% gave that same answer the most recent time around. Similarly, twice as many of the consumers (16% vs. 8%) rated mall promotions as important in 1978, yet another indication that today's shopper is more "no frills" minded.

RESTAURANT
GALLERY
HOME SAVINGS

Almost six in 10 consumers surveyed shop at a mall or center at least once a week.

In addition, store sales and convenient evening hours are becoming a major consideration for many customers.

Only 26% of the respondents said that store reduced-price sales were a priority in 1978, a figure that has now climbed to 62% only three years later. Also in 1978, two in five consumers told *CSA Executive* that convenient evening hours were important to them, but in 1981 more than half (54%) report the later hours are a prime consideration.

Store sales, convenient evening hours and the neighborhood around the mall are more important to the 1981 shopper.

As to why they don't shop at some malls or large centers, both the 1981 and 1978 studies suggest that location is a chief culprit, although that complaint seems to hamper larger complexes more than small ones.

For instance, 70% of the 1978 shoppers said that "too far away/inconvenient location" was the main reason they stayed away from a large center, while only 52% of the small center customers gave that response three years ago. But in the 1981 research, location had become less of a problem for both shoppers of large (43%) and small (28%) sites.

While shopping center developers can take pride in the increased acceptance of mall sites, the two *CSA Executive* surveys nevertheless point up the need for better tenant mixes.

For as the number of complaints about location has been dropping off, customer dissatisfaction at not being able to find the right store has been on the rise. In the case of large centers, for example, less than 2% of the 1978 consumers had no need to visit a mall, an unappealing figure that skyrocketed to 15% in the 1981 findings.

This important minority notwithstanding, the majority of the 1981 shoppers appear to be satisfied with the stores and services they find at their preferred retail complex. Less than one in five (18%) of these respondents said that their favorite center contained too many of the same types of stores, a sharp decline from the 68% expressing that opinion in 1978.

Finally, of the stores or services that could be added, the most recent *CSA Executive* survey suggests that consumers have very little interest in either movie theaters or day care centers. However, the presence of food services is still important to today's shopper, with 1981 customers voting for sit-down restaurants over fast food outlets by 63% to 24% (with the remainder undecided).

Other findings about shopping habits that emerged from the 1981 "Why They Shop Some Centers" survey include:

- Shoppers are spending less time at their favorite mall or large center than in 1978, although the typical visit still lasts about two hours.
- During that shopping trip, the average customer will go to about 4.5 stores, a count that is up significantly from the 3.82 tenants visited by consumers three years ago.
- Almost four in five (79%) of the 1981 customers say they "always" shop with planned purchases in mind, compared with only about three in five (63%) who gave that answer in 1978.
- Saturday is still the most popular shopping day of the week, trailed by Wednesday, Friday and then Tuesday and Thursday (a tie).
- Television and radio are down slightly as sources of shopping information, while newspapers, circulars and flyers are the chief advertising vehicles for luring customers to malls or large centers, according to the 1981 survey. ■

—Craig Carter

ICSC marketing conference

"Everyone is trying to survive the 80's," says a recent brochure from the International Council of Shopping Centers (ICSC).

To help retailers and developers not only endure—but also prevail—in these tough times ahead, the ICSC will be holding its 1981 annual marketing conference at the Fontainebleau Hilton in Miami Beach from Sept. 19-22.

This convention, which gets under way with registration on Saturday, Sept. 19, features general sessions and concurrent workshops, along with a keynote speech, regional group meetings and a marketing mall trade show. Another highlight for the estimated 700 ICSC attendees will be the presentation of the "Maxi" awards to industry leaders, a ceremony that will take place on Sept. 20.

This year's keynote address will be delivered by ICSC president Daniel W. Donahue, of the Irvine, Calif.-based John S. Griffith & Co. Among the topics scheduled for general discussion are "Future Directions," "Advertising for Tomorrow," "Electronic Retailing" and "The Changing Retailer."

Approximately 40 exhibitors will be attending the convention, and their trade show runs from Saturday to Monday.

Tight money slows Big Builders' pace

The pace of retail space construction slowed down this year as tight money, less than enviable market conditions and fewer available shopping center sites put the clamps on chain store expansion.

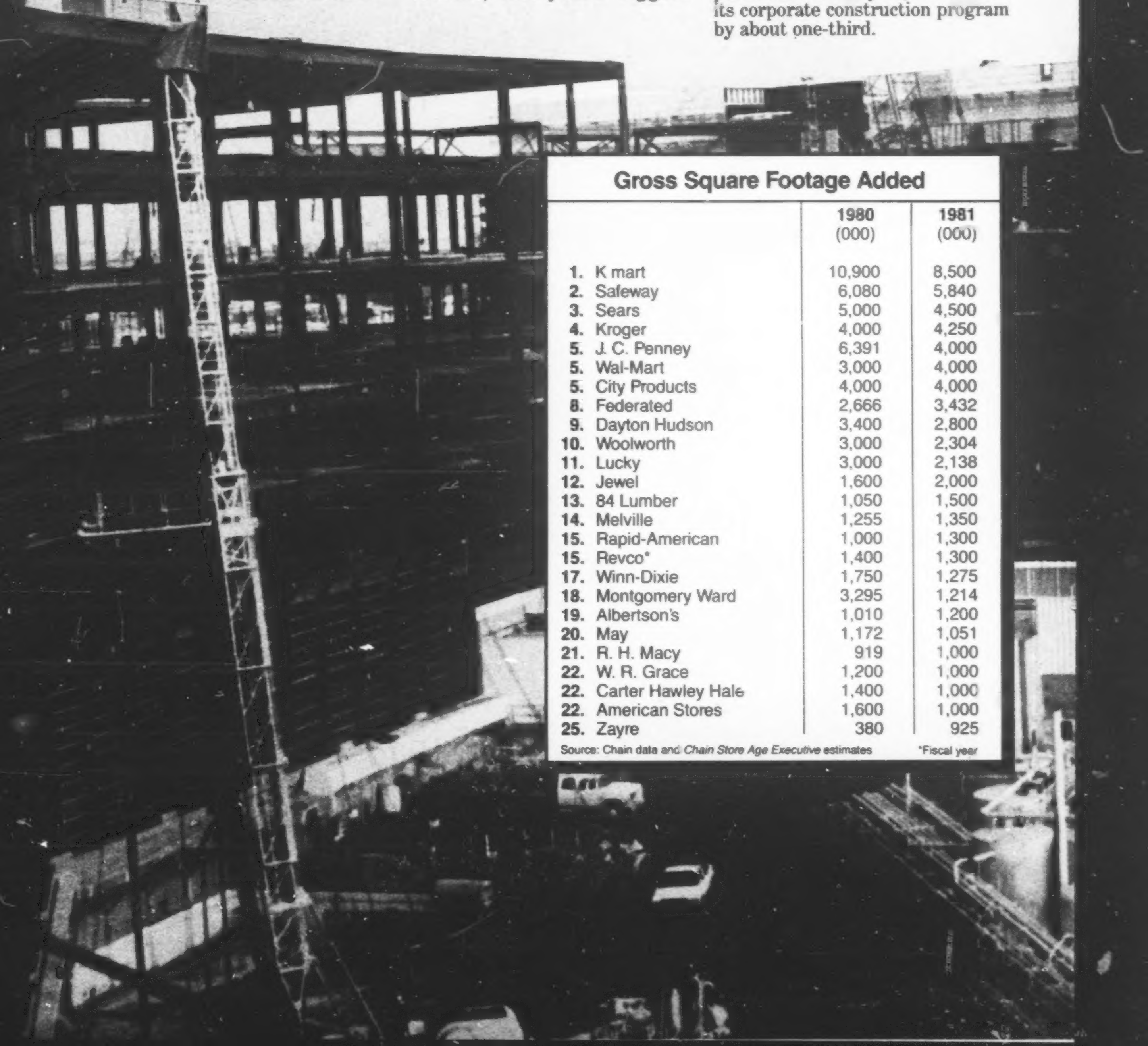
This year, retailers are devoting about 6.9% less to capital expenditures. Where the leading chains spent more than $4.2 billion on new stores and remodeling campaigns in 1980, that figure is expected to slip to $3.9 billion by the end of 1981.

Gross square footage increments slowed down even more. In 1980, the top chain operators added more than 72.2 billion sq. ft. of selling space; in 1981, they are adding 59.8 billion sq. ft., or 17.1% less.

As a result, increases in net square footage have also dropped from last year's level. The net increase in retail space will be about 45.7 billion sq. ft. this year, as compared with 51.7 billion sq. ft. last year. But the fact that the year-to-year difference in net increase is less than the difference in gross increase means that fewer stores are being closed, and companies are salvaging more existing space.

K mart, last year's biggest builder, remains at the top of the heap this year. But even this retailing giant has been hit by high interest rates and the lack of viable locations, so that the chain will construct 165 units containing 8.5 million sq. ft. this year, as compared with 193 units and nearly 11 million sq. ft. last year.

Like K mart, other major companies lowered their sights on new store expansion. Sears is building 31 department stores, down from 36 in 1980. J. C. Penney is adding 46 Penney stores this year, as compared with 72 last year, and has cut its corporate construction program by about one-third.



Gross Square Footage Added

	1980 (000)	1981 (000)
1. K mart	10,900	8,500
2. Safeway	6,080	5,840
3. Sears	5,000	4,500
4. Kroger	4,000	4,250
5. J. C. Penney	6,391	4,000
5. Wal-Mart	3,000	4,000
5. City Products	4,000	4,000
8. Federated	2,666	3,432
9. Dayton Hudson	3,400	2,800
10. Woolworth	3,000	2,304
11. Lucky	3,000	2,138
12. Jewel	1,600	2,000
13. 84 Lumber	1,050	1,500
14. Melville	1,255	1,350
15. Rapid-American	1,000	1,300
15. Revco*	1,400	1,300
17. Winn-Dixie	1,750	1,275
18. Montgomery Ward	3,295	1,214
19. Albertson's	1,010	1,200
20. May	1,172	1,051
21. R. H. Macy	919	1,000
22. W. R. Grace	1,200	1,000
22. Carter Hawley Hale	1,400	1,000
22. American Stores	1,600	1,000
25. Zayre	380	925

Source: Chain data and *Chain Store Age Executive* estimates

*Fiscal year

Wal-Mart, on the other hand, is bucking this trend. The Bentonville, Ark.-based chain is tacking on 4 million sq. ft. of new store space this year, up from 3 million last year. Where the company spent most of its $48.9 million budget in 1980 to erect 57 stores, it is now adding 65 stores and projecting capital expenditures of $55 million.

Safeway, tied with Sears last year for No. 1 on the capital expenditures list, has the top spot all to itself this year. The nation's largest supermarket chain has committed half a billion dollars in 1981 to a wide range of building programs, including food/drug combination stores, superstores, smaller units in rural areas, warehouse-style Food Barns and the installation in existing stores of Natural Food Centers and pharmacies.

Kroger, the second largest food retailer, also refuses to let an uncertain economy and high interest rates thwart its building plans. The company remains right on target toward its goal of an additional 13 million sq. ft. of space by 1983, as 110 new one-stop supermarkets, averaging 42,000 sq. ft., are going up in 1981.

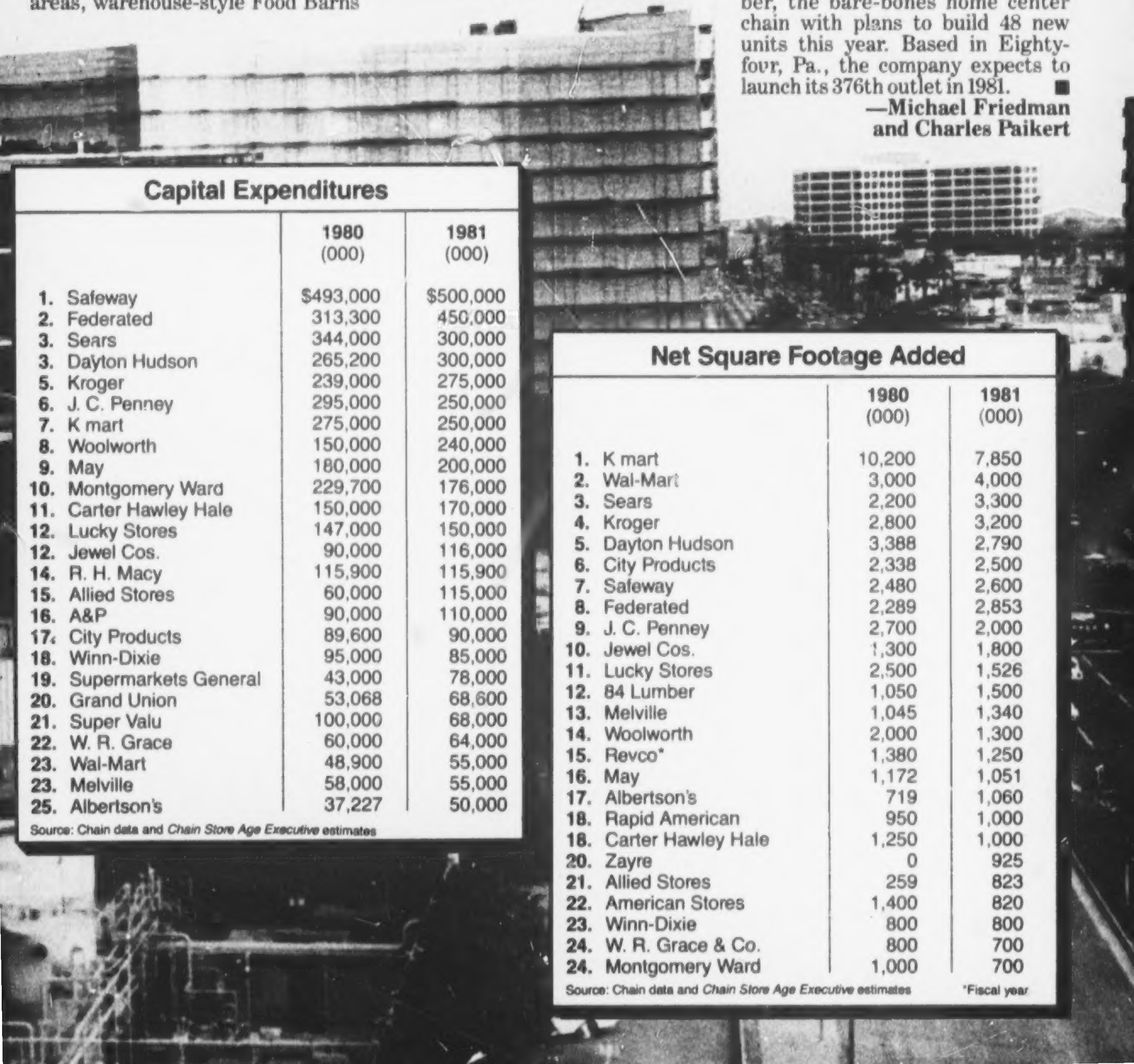
Chicago-based Jewel Cos. is emphasizing its 50,000-sq.-ft. combination stores, and plans to have over 200 by the end of 1983. But Jewel is also building a substantial number of 9,000-sq.-ft. Jewel T discount stores, and hopes to open 55 of them this year.

But all is not rosy among the supermarket chains. American Stores, for instance, will add 20 supers to its Alpha Beta division, but has no expansion plans for its Acme group. Winn-Dixie, while maintaining a steady course of growth, will fall off slightly from last year's pace due to the escalated cost of construction.

A&P will spend $20 million more than last year on capital improvements, but the chain's gross increase in selling space will be only about 200,000 sq. ft. by year-end.

A new name among the store construction leaders is that of 84 Lumber, the bare-bones home center chain with plans to build 48 new units this year. Based in Eightyfour, Pa., the company expects to launch its 376th outlet in 1981. ■

—Michael Friedman
and Charles Paikert



Capital Expenditures

	1980 (000)	1981 (000)
1. Safeway	$493,000	$500,000
2. Federated	313,300	450,000
3. Sears	344,000	300,000
3. Dayton Hudson	265,200	300,000
5. Kroger	239,000	275,000
6. J. C. Penney	295,000	250,000
7. K mart	275,000	250,000
8. Woolworth	150,000	240,000
9. May	180,000	200,000
10. Montgomery Ward	229,700	176,000
11. Carter Hawley Hale	150,000	170,000
12. Lucky Stores	147,000	150,000
12. Jewel Cos.	90,000	116,000
14. R. H. Macy	115,900	115,900
15. Allied Stores	60,000	115,000
16. A&P	90,000	110,000
17. City Products	89,600	90,000
18. Winn-Dixie	95,000	85,000
19. Supermarkets General	43,000	78,000
20. Grand Union	53,068	68,600
21. Super Valu	100,000	68,000
22. W. R. Grace	60,000	64,000
23. Wal-Mart	48,900	55,000
23. Melville	58,000	55,000
25. Albertson's	37,227	50,000

Source: Chain data and *Chain Store Age Executive* estimates

Net Square Footage Added

	1980 (000)	1981 (000)
1. K mart	10,200	7,850
2. Wal-Mart	3,000	4,000
3. Sears	2,200	3,300
4. Kroger	2,800	3,200
5. Dayton Hudson	3,388	2,790
6. City Products	2,338	2,500
7. Safeway	2,480	2,600
8. Federated	2,289	2,853
9. J. C. Penney	2,700	2,000
10. Jewel Cos.	1,300	1,800
11. Lucky Stores	2,500	1,526
12. 84 Lumber	1,050	1,500
13. Melville	1,045	1,340
14. Woolworth	2,000	1,300
15. Revco*	1,380	1,250
16. May	1,172	1,051
17. Albertson's	719	1,060
18. Rapid American	950	1,000
18. Carter Hawley Hale	1,250	1,000
20. Zayre	0	925
21. Allied Stores	259	823
22. American Stores	1,400	820
23. Winn-Dixie	800	800
24. W. R. Grace & Co.	800	700
24. Montgomery Ward	1,000	700

Source: Chain data and *Chain Store Age Executive* estimates

*Fiscal year

K mart opting for facelifts

Remodeling nearly 450 units is expected to represent more than one-third of the chain's capital expenditure budget.

The upscaling of K mart has begun in earnest. Some 450 of the chain's 2,300 units will be remodeled in 1981, along the lines of a nine-store test in Indianapolis, according to Bernard Fauber, chairman. The cost of these facelifts is expected to represent more than one-third of K mart's capital expenditure budget this year, which has been set at about $250 million.

At the same time, new store construction is beginning to decline. In 1980, K mart launched 193 new outlets totaling 10.9 million sq. ft. of selling space. In 1981, the chain will erect 165 new units containing 8.5 million sq. ft.— or 28 new units and about 2.4 million sq. ft. fewer than the year before.

In the past, K mart has opened more than 300 stores a year. But that happened when interest rates were considerably lower, the competition was less sophisticated and there was no shortage of new markets to enter.

Times have changed. Net income for the year ended Jan. 28, 1981, diminished 27.2% to $261 million from $358 million the year before, while per-share profits fell 26% to $2.07 from $2.84.

Chairman Fauber has said that the company must "divert more resources and management time to bringing up to a high standard of operation our existing base of stores while optimizing their profit performance." In other words, management plans to take what it has and make it more productive.

That's where the Indianapolis experiment comes in. These stores, built in 1980, emphasize modern displays, a streamlined signage and decor package, and more logical adjacencies. The clutter of excess signage, monotonous pipe rack configurations and a deli department at the entrance have been eschewed in favor of a modified department store image, with jewelry and photo equipment leading the way into the store.

In hard lines, particularly, the new prototype has drawn much praise from the retail community. These "home centers" are consolidations of what used to be separate and scattered hardware, electrical, building materials and horticulture sections. This "store within a store" is expected to be one of the focal points of K mart's business in the 80's. ■

K MART

	1980	1981
Stores in operation at end of calendar year	2,232	2,367
Total stores added in calendar year	193	165
Square footage added in calendar year	10,900,000	8,500,000
Number of stores enlarged or remodeled	N/A	N/A
Number of stores closed	30	30
Square footage lost through closings	700,000	700,000
Total capital expenditures	$275,000,000	$250,000,000

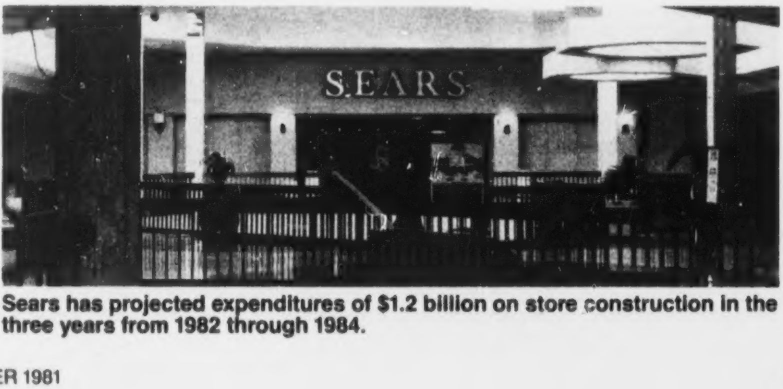
Source: Chain data and *Chain Store Age Executive* estimates

N/A—Not available

Sears targets replacement units

Capital expenditures in the Sears, Roebuck and Co.'s retail holdings "will be geared to achieving productivity gains while accommodating selective expansion into growing market areas," according to the company's 1980 annual report.

This is translating in 1981 into 31 new stores, which bring to the nation's leading retail chain about 4.5 million sq. ft. of additional selling space. This compares with 36 new units and some 5 million sq. ft. of



Sears has projected expenditures of $1.2 billion on store construction in the three years from 1982 through 1984.

new space last year.

However, only 15 of those 31 new units represent real gains for Sears, as the remainder are relocations or replacement of existing stores. In addition, the company will be shuttering eight older units, so that its net gain will be only seven stores at year-end.

The capital budget on which this expansion hinges has been cut from $344 million in 1980 to about $300 million this year, although that figure is likely to rise or fall with autumn construction schedules. Expenses associated with remodelings, as well as ground-up construction, are included in this budget.

On a long-range basis, the company plans to spend about $1.2 billion on store construction in the three years from 1982 through 1984. The lion's share of these funds will go toward the opening of about 180 new units, approximately two-thirds of which will replace existing Sears outlets.

Until a few years ago, Sears depended on primary markets to support full-line department stores, and that was the basis for its game plan. In recent years, however, the company has looked with increasing interest into secondary markets, and this interest has spawned a growing number of smaller units.

These scaled-down versions of the old full-line operations are positioned in the 30,000- to 40,000-sq.-ft. range, and they emphasize what management considers essential Sears categories: apparel, appliances, draperies and tools. They represented about 20% of the stores that Sears built last year, and that percentage is expected to grow. ■

SEARS

	1980	1981
Stores in operation at end of calendar year	854	861
Total stores added in calendar year	36	31
Square footage added in calendar year	5,000,000	4,500,000*
Number of stores enlarged or remodeled	8	3
Number of stores closed	31	24
Square footage lost through closings	2,800,000	1,200,000*
Total capital expenditures	$344,000,000	$300,000,000*

*estimate
Source: Chain data and *Chain Store Age Executive* estimates

Kroger keeps commitment to growth

Kroger, the nation's second largest food retailer, keeps steamrolling along on an enviable path of prosperity and growth.

Other major retailers may have encountered serious difficulties in 1980, but Kroger had an outstanding year, increasing annual earnings from continuing operations 20% to a total of $103 million.

And despite the difficulties posed by high interest rates, Kroger was able to continue its steady progress toward its goal of opening an additional 13 million sq. ft. of retail space by 1983.

In its highly successful supermarket division, Kroger opened 118 new stores, and nearly one-third of those stores were targeted to Kroger's one-stop shopping theme, with 42,000 sq. ft. of space. Kroger remodeled 49 stores, many of which included substantial enlargements, and more than half of Kroger's food store development took place in the Sunbelt.

Kroger's SupeRx drug store division, in contrast to Kroger's supermarkets, experienced a disappointing year financially in 1980. Although 42 drug stores were opened, 32 were closed, while 27 were remodeled, and SupeRx ended the year with 514 stores.

However, Kroger has high hopes for its new SupeRx II stores, a drug store concept that incorporates modernization and new product lines. Nearly 75 SupeRx II stores were opened in 1980, and for 1981, 55 new and 20 remodeled drug stores are set, as Kroger continues to convert to the SupeRx II concept.

Kroger's supermarket building plans are on a par with 1980, as 110 new stores are scheduled to open, while 62 stores will be remodeled. Most of the new stores will be one-stop centers in the 35,000- to 42,000-sq.-ft. range.

As Kroger continues to impress the retail industry, its capital expenditure figure of $275 million for 1981 reflects the chain's commitment to growth and the maintenance of its position as an aggressive industry leader. ■

KROGER

	1980	1981
Stores in operation at end of calendar year	1,245	1,335
Total stores added in calendar year	118	110
Square footage added in calendar year	4,000,000*	4,250,000*
Number of stores enlarged or remodeled	40	60
Number of stores closed	86	75*
Square footage lost through closings	N/A	1,400,000*
Total capital expenditures	$239,000,000	$275,000,000*

*estimate
Source: Chain data and *Chain Store Age Executive* estimates
N/A—Not available

The chain has been adding to its full-line store roster faster than any other segment of its retail business.

J. C. Penney expanding its full-line units

Two kinds of stores operate under the J. C. Penney logo: full-line units, which offer a wide assortment of apparel, household goods, automotive equipment and leisure merchandise in an average of 87,000 sq. ft., and soft line units, which restrict their business to apparel and household textiles in a more compact 13,000 sq. ft.

In 1981, the full-liners are receiving the lion's share of capital expenditures for expansion. Whereas the company opened 40 full-line stores and 32 soft liners in the fiscal year ended Jan. 31, 1981, this year's schedule calls for 30 of the former and only 16 of the latter.

The decision appears to be a wise one. Even though the smaller units produced $164 per square foot in the last complete fiscal year, as compared with $156 in the department stores, the soft liners have not shown significant increases in per-store volume in a decade.

The last year has been particularly telling. Income from operations in the soft line outlets declined, due to lower per-store sales and increased operating expenses, while department store sales were up.

In fact, Penney has been building its full-line store roster faster than any other segment of its retail business—which includes, in addition to the Penney units themselves, some 76 stores in Belgium and about 375 Thrift drug stores. From 1971 through 1980, the company expanded its department store holdings to 552 units from 267; the number of soft liners, by contrast, decreased to 1,130 from 1,373.

Another fast-growing segment is the Thrift chain of retail drug outlets. At the end of 1971, Penney owned 205 of them. The company has since added a total of about 160 units, net of closings, and plans this year call for 14 new drug stores.

Thrift has also scaled down its prototype, in order to cut down on rental expenses and make better use of space. Until about a year ago, the chain had opted for 12,000- and 14,000-sq.-footers, but those have now been discarded in favor of a 9,400-sq.-ft. unit.

Penney also operates catalog sales centers in its department stores, soft line and drug stores.

J. C. PENNEY

	1980	1981
Stores in operation at end of calendar year	2,119	2,179
Total stores added in calendar year	89	60
Square footage added in calendar year	6,391,000	4,000,000*
Number of stores enlarged or remodeled	0	0
Number of stores closed	81	N/A
Square footage lost through closings	1,365,000	1,143,000
Total capital expenditures	$295,000,000	$250,000,000*

*estimate
Source: Chain data and *Chain Store Age Executive* estimates

N/A—Not available

Wal-Mart prototype pays off

Wal-Mart is slowly but surely raising the average size of its stores by adhering to the 60,000-sq.-ft. prototype as its sole expansion vehicle. In fiscal 1982, ending Jan. 31, the chain will boost average-store size approximately 2,400 sq. ft. to 49,367 sq. ft. with the opening of some 65 of these new units.

Wal-Mart developed the 60,000-sq.-ft. model in late 1979, in an attempt to upgrade its image in both hard goods and soft goods. The move has paid off: in the most recent fiscal year, the company's comparable store sales improved 12%, and sales per square foot increased to $120.

The Bentonville, Ark.-based discount chain is adding a total of 4 million sq. ft. this year, including 3.6 million sq. ft. in new units and another 400,000 sq. ft. that will accrue from the enlargements of 18 existing outlets. This compares favorably with the 3 million sq. ft. the company added last year, which encompassed about 3.5 million sq. ft. of new store space and about 500,000 sq. ft. from enlargements.

Wal-Mart operates in Missouri, Arkansas, Oklahoma and Texas primarily, with 69% of its retail units located in those states. The chain also has stores in Mississippi, Illinois, Tennessee, Kansas, Louisiana, Alabama and Kentucky.

Although Wal-Mart execs have traditionally selected sites in towns with populations of 5,000 to 25,000 people, the company does own stores in the vicinities of Dallas, Tulsa, Kansas City, Oklahoma City, Memphis and St. Louis.

Jack Shewmaker, president, has said that the bulk of the chain's expansion will probably take place in states where Wal-Mart is already operating—Texas, for instance, where Wal-Mart did business in 45 locations at the end of fiscal 1981.

One indication of the company's aggressive growth stance is its decision to beef up its capital expenditure budget. Where Wal-Mart spent slightly less than $49 million in fiscal 1981 for construction and remodeling activities, plans in the current fiscal year call for expenditures of about $55 million. ■

The discount chain is adding 3.6 million sq. ft. in new units and 400,000 sq. ft. in enlargements of existing stores.

WAL-MART

	1980	1981
Stores in operation at end of calendar year	330	395
Total stores added in calendar year	57	65
Square footage added in calendar year	3,000,000	4,000,000
Number of stores enlarged or remodeled	20	18
Number of stores closed	0	0
Square footage lost through closings	0	0
Total capital expenditures	$48,900,000	$55,000,000

Source: Chain data and *Chain Store Age Executive* estimates

Superstore concept themes Safeway merchandising

Despite sales problems the building program at Safeway, the nation's leading food retailer, is moving briskly ahead, with a renewed emphasis on new stores.

In the past, Safeway's building plans focused on maintaining the existing store system. For every 100 stores built, two-thirds were replacement stores on the same location. Now, according to Peter Magowan, chairman and ceo of Safeway, the chain is "putting more emphasis on plus business stores and less on replacements."

This policy, begun last year, is reflected in the 160 new stores opened by the chain and the extensive remodeling done inside existing stores. The resulting net gain in sales area totaled 2.6 million sq. ft.

Safeway, according to Magowan, "is absolutely committed to the large superstore as our basic merchandising concept for the 80's." Over 400 of these superstores, averaging 40,000 to 50,000 sq. ft. in size, will have opened in the three year period from 1979-81, and 145 superstores were opened in 1980 alone.

Safeway's first food and drug combination store, a 57,600-sq.-ft. unit, was opened last year in Sherman, Tex., and at least 10 of the large food/drug stores are set to open in 1981.

Safeway is not ignoring small towns or smaller stores, however. "Much of Safeway's strength lies in small country towns," says Gerald L. McGinnis, real estate strategy division manager, "and while we are able to build large one-stop facilities in major cities, we are also building smaller 25,000-sq.-ft. units in rural areas. Almost 40% of our new stores in various planning stages are in single store towns."

Although Safeway closed 169 stores last year, the chain is putting the buildings to new, and hopefully more profitable use. In 1980, 25 Food Barns, Safeway's warehouse food markets, were created, and at least 10 more are planned for 1981. Also, nine Liquor Barns and one home improvement center were opened last year, with more set for this year. ■

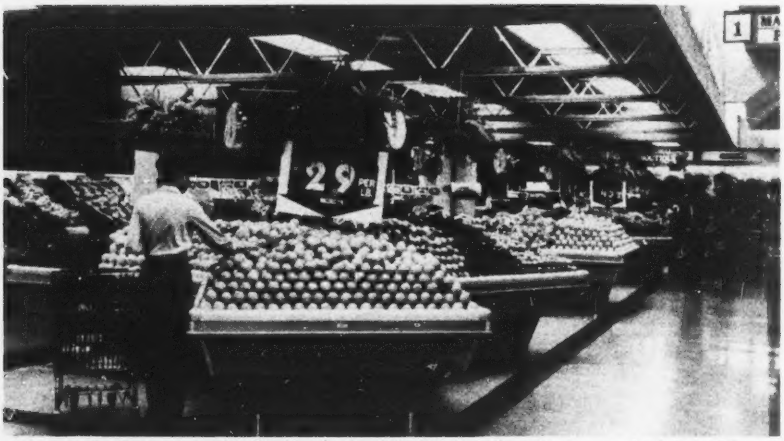
SAFEWAY

	1980	1981
Stores in operation at end of calendar year	2,416	2,500*
Total stores added in calendar year	160	146*
Square footage added in calendar year	5,000,000*	3,900,000*
Number of stores enlarged or remodeled	69	N/A
Number of stores closed	169	N/A
Square footage lost through closings	3,600,000	N/A
Total capital expenditures	$475,000,000	$400,000,000

*estimate

Source: Chain data and *Chain Store Age Executive* estimates

N/A—Not available



Among the 26 new units Federated added in the fiscal year ended Jan. 31, are 12 Ralphs supermarkets.

Federated steps up new store openings

Federated Department Stores, unlike a number of other major companies, is stepping up its plans for new store openings this year. In the fiscal year ended Jan. 31, 1981, the corporation added 26 new units, including 11 department stores, three mass merchandising stores and 12 Ralphs supermarkets. This represented an increase in gross retail space of some 2.7 million sq. ft., which netted down to 2.3 million sq. ft. after 12 supermarket closings were taken into account.

In the current fiscal year, Federated execs expect to build 3.4 million sq. ft. of new selling space, as part of a $2.5 billion five-year growth schedule extending through 1985. Plans call for 17 new department stores, three new discount units and nine new supermarkets.

At the same time, Federated will close two department stores and one supermarket. These are being replaced by some of the new units mentioned above. In addition, however, Federated is cutting loose seven Gold Circle discount stores. Gold Circle as a group had disappointing sales and earnings in the last fiscal year, and the company appears to be trimming that division down in order to increase productivity.

Even with the Gold Circle closings, Federated will show a net increase of about 2.1 million sq. ft. in selling space this year.

As in previous years, department stores remain the focus of Federated's expansion strategy. In the current year, management anticipates that at least 70% of capital expenditures will be devoted to the company's department store segments, with as much as 20% going to mass merchandising and about 10% slated for supermarkets.

Within the department store area, however, certain groups will receive more attention than others. Bullock's, for instance, received two new stores in southern California last year, and this year another three stores will be added, with yet a fourth to be opened under the aegis of Bullock's Northern California. Three new Abraham and Straus units will be launched this year as well, and Tennessee-based Goldsmith's is adding stores in Memphis and Jackson. ■

FEDERATED

	1980	1981
Stores in operation at end of calendar year	358	377
Total stores added in calendar year	26	29
Square footage added in calendar year	2,666,000*	3,432,000*
Number of stores enlarged or remodeled	6	7
Number of stores closed	12	10
Square footage lost through closings	377,000*	1,300,000*
Total capital expenditures	$313,300,000	$450,000,000*

*estimate
Source: Chain data and *Chain Store Age Executive* estimates

Dayton Hudson spending on Target

Although Dayton Hudson will be opening less new retail space this year—2.8 million sq. ft., compared with 3.4 million sq. ft. last year—the corporation will be spending more in the way of capital expenditures. The difference between the $265.2 million spent in the fiscal year ended Jan. 31 and the $300 million Dayton Hudson is expected to spend in the current year, will go in part toward the remodeling of 40 Ayr-Way discount stores acquired in 1980.

Target, the chain's primary growth vehicle, plays a leading role in the capital expenditure budget.

When finished, the Ayr-Ways will look and, Dayton Hudson hopes, perform like the company's Target stores. The Target division as a whole is one of Dayton Hudson's primary vehicles for growth, with 14 new outlets slated to open this year and bring the chain to the 150-store mark.

Another of the corporation's fastest growing segments is Mervyn's, a soft lines retailer that added nine units last year to build its roster to 69 stores in Arizona, California, Nevada, New Mexico, Utah and Oregon. Mervyn's returns an operating profit of 9.2% as a percentage of sales—the best performance of any Dayton Hudson division.

Yet a third fast-track operation is B. Dalton Bookseller, one of the largest bookstore chains in the United States. Last year, B. Dalton opened more than 100 new units, breaking the 500-store mark and approaching 2 million sq. ft. of gross retail space. This year, the chain is expected to launch about 75 outlets.

DAYTON HUDSON

	1980	1981
Stores in operation at end of calendar year	831	935
Total stores added in calendar year	134	105
Square footage added in calendar year	3,400,000	2,800,000
Number of stores enlarged or remodeled	N/A	N/A
Number of stores closed	4	1
Square footage lost through closings	12,000	2,400
Total capital expenditures	$265,200,000	$300,000,000*

*estimate
Source: Chain data and *Chain Store Age Executive* estimates

N/A—Not available

The department store division, which includes Hudson's, Dayton's, Diamonds and John A. Brown, opened five units last year to reach the 50-store plateau, and plans call for three openings this year. On a companywide basis, Dayton Hudson will build 105 stores this year, compared with 134 the year before.

Last year, the bulk of capital expenditures, or $126 million, was directed into the Target expansion effort. Another $68 million was devoted to Mervyn's, the department stores received $52 million and the remainder went to the specialty merchandisers (B. Dalton, Dayton Hudson Jewelers and Lechmere hard lines stores).

This year, according to a spokesman for the chain, Target will again be the biggest factor in the capital expenditure budget. ■

CHILDREN'S BOOKS
BIOGRAPHY
BIOGRAPHY

Specialty merchandisers, such as B. Dalton, received more than $19 million in the fiscal year ended Jan. 31.

Woolworth trend 'redeploys assets'

From F. W. Woolworth's point of view, specialty retailing is where it's at. In the year ended Jan. 31, 1981, the company opened 55 Woolworth and Woolco stores and shuttered 55, in a "redeployment of assets" scheme that included much remodeling activity but little if any addition to square footage.

At the same time, the company launched 38 J. Brannam and Shirt Closet specialty units, closing none; 328 shoe stores and departments, closing 23, and 37 Richman clothing stores, closing nine. Not all of these units represented new retail space, since in many cases they were installed in space appropriated from Woolworth and Woolco outlets—but the trend toward building specialty stores instead of larger stores in undeniable.

In the current year, this trend is maintaining its momentum. The company is in the process of adding 20 J. Brannams to a base of only 27, 107 Kinney outlets, seven freestanding Shirt Closets, 26 Susie's Casuals stores, 73 Foot Lockers and 103 leased shoe departments, plus 23 Richman apparel units. This will boost the corporation's domestic retail selling space by about 1.9 million sq. ft.

Woolworth and Woolco stores, by contrast, will increase by only six after 26 openings (worth 1.1 million sq. ft.) are balanced against 20

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The Kinney Shoe subsidiary, which includes the Kinney, Foot Locker and Susie's Casuals operations, generated $148 per square foot.

store closings.

The advantage in opening specialty stores is in wider gross margins and greater sales per square foot. Woolworth stores in the United States, for instance, produced $73 per square foot in the fiscal year ended Jan. 31, 1981, and Woolco did little better at $79. The Kinney Shoe subsidiary, which includes the Kinney, Foot Locker and Susie's Casuals operations, generated $148 per square foot.

This year, Kinney is also testing outlet stores in factory outlet malls in Oklahoma City, Okla., and Orlando, Fla., as well as a freestanding unit in Freehold, N.J. ■

WOOLWORTH

	1980	1981
Stores in operation at end of calendar year	4,317	4,637
Total stores added in calendar year	386	357
Square footage added in calendar year	3,000,000	2,304,000
Number of stores enlarged or remodeled	N/A	92
Number of stores closed	76	37
Square footage lost through closings	1,000,000*	N/A
Total capital expenditures	$150,000,000*	$240,000,000*

*estimate

Source: Chain data and *Chain Store Age Executive* estimates

N/A—Not available

Lucky new store momentum building

Although several other major chains are curtailing expansion plans this year, Lucky Stores, the Dublin, Calif.-based supermarket, department, automotive and specialty store chain is continuing its momentum of increasing building plans.

Having added 146 stores last year and closing 101 units, Lucky ended 1980 with 1,511 stores. This year, Lucky plans to close only 53 stores, and add 159, giving the chain an anticipated total of 1,617 by year's end.

The main thrust of Lucky's 1981 expansion will be in its Dorman, Kragen and Checker automotive specialty store divisions. Dorman's continued its costly entry into the Los Angeles-Orange County markets last year, and Checker stores are concentrating on a thrust into the lucrative Dallas-Fort Worth market this year. All together, approximately 70 automotive stores will be opened by Lucky this year.

Lucky has not opened up a conventional 21,000-sq.-ft. supermarket in several years, and has no plans to open any this year. Instead, the company is concentrating on its "Discount Centers," which range from 28,000 sq. ft. to 32,000 sq. ft. The centers include full-service food merchandising, as well as a wide assortment of nonfood merchandise. Many discount centers include apparel, liquor and pharmacy departments.

At the end of 1980, Lucky had 336 Discount Centers, and with the addition of 39 centers this year, the total should rise to 375 by year's end. None of Lucky's food divisions will expand beyond the company's present market areas, which include California, the Southwest and part of the Midwest.

Another major portion of Lucky's growth this year comes from the 25-unit expansion of the chain's 4,000-sq.-ft. Pic-A-Dilly specialty apparel units and the addition of 20 stores to the Hancock Fabrics chain.

Overall, Lucky has targeted between $130 million and $150 million for capital expenditures for the year. ■

LUCKY

	1980	1981
Stores in operation at end of calendar year	1,511	1,617
Total stores added in calendar year	146	159
Square footage added in calendar year	3,000,000	2,138,000*
Number of stores enlarged or remodeled	6	6
Number of stores closed	101	53*
Square footage lost through closings	N/A	N/A
Total capital expenditures	$147,000,000	$150,000,000*

*estimate

Source: Chain data and *Chain Store Age Executive* estimates

N/A—Not available

Jewel building on combo cornerstone

The Jewel Cos. plans to spend about $350 million over the next three years, through 1983, on its existing food and drug divisions, and much of that capital will be directed toward building growth.

Jewel's continuing emphasis on its large (average 50,000 sq. ft.) combination food/drug stores will be a cornerstone of its three year plan. The chain plans to build 40 new combination food/drug stores during that time and add another 24 combination stores as replacements or enlargements of existing units, bringing the total number of Jewel combo stores to over 200 by the end of 1983.

Another growth vehicle for Jewel is the Jewel T Discount Grocery Store, a smaller (average 9,000 sq. ft.) unit emphasizing a bare-bones format and substantial price discounting. Since opening the first Jewel T in 1977 in Florida, Jewel ended 1980 with 138 Jewel T stores in Florida, Georgia, New Jersey, Delaware, Texas and California. Last year Jewel opened 44 of the discount stores, and this year the

Jewel's three-year program will bring the total selling space to 25% more than was in operation at the end of 1980.

JEWEL

	1980	1981
Stores in operation at end of calendar year	1,248	1,405*
Total stores added in calendar year	105	146*
Square footage added in calendar year	1,600,000	2,000,000*
Number of stores enlarged or remodeled	N/A	N/A
Number of stores closed	51	46*
Square footage lost through closings	N/A	N/A
Total capital expenditures	$90,000,000	$116,000,000*

*estimate
Source: Chain data and *Chain Store Age Executive* estimates
N/A—Not Available

chain hopes to exceed that number by 10 units.

Drug retailing is also a key element in Jewel's growth plans. At the end of 1980, Jewel was operating 280 Osco and 146 Sav-On drug stores. Over the next three years, Jewel expects to open 65 additional drug stores. In 1981 alone, Jewel plans to open 30 new Osco stores, 17 of them being part of a Jewel-Osco combination store.

Another critical part of Jewel's strategy is to diversify geographically. Anchored in Chicago and with stores in the Midwest and Boston, Jewel has decided to invest over $70 million to expand its retail units in the West and Southwest. The chain says it will "continue to invest heavily in Chicago and the Midwest" but that it wants to "increase investment in areas of above average population and economic growth" to lessen its dependence on any one market.

Overall, about 5.6 million sq. ft. of retail space will be added as a result of Jewel's three year program, bringing the total selling space to 25% more than was in operation at the end of 1980. ■

Acquisition spurs Revco's growth drive

It was only a few years ago that Revco D.S. celebrated the opening of its 1,000th drug store amid much fanfare and ballyhoo. But the Twinsburg, Ohio-based chain will hit the 2,000-store mark in just another few years, maintaining its position as the largest operator in the drug store industry.

Revco's acquisition of the 112-unit Skillern's chain in Texas was a key element in this growth drive. Along with some smaller acquisitions, the $60 million Skillern's deal yielded some 1.1 million sq. ft. of space. Add that to 1.4 million sq. ft. of from-the-ground-up construction, for a total of 2.5 million sq. ft. of new space in the fiscal year ended May 31, 1980, and you've got a 28% increase over 9.0 million sq. ft. a year before.

REVCO
DISCOUNT
DRUG CENTERS

REVCO

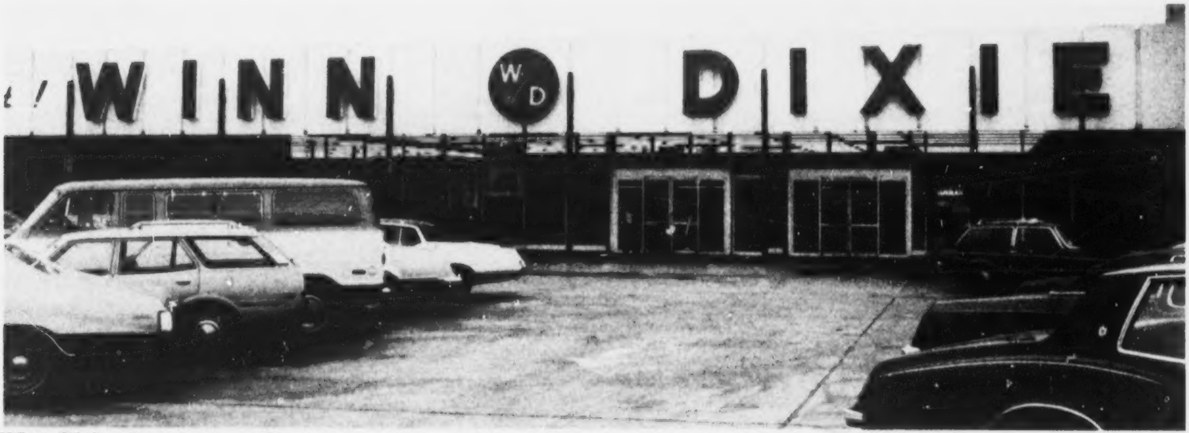
	1980[1]	1981[2]
Stores in operation at end of calendar year	1,540	1,670
Total stores added in calendar year	105	130
Square footage added in calendar year	1,400,000	1,300,000
Number of stores enlarged or remodeled	30	15
Number of stores closed	4	N/A
Square footage lost through closings	20,000	N/A
Total capital expenditures	N/A	N/A

Source: Chain data and *Chain Store Age Executive* estimates
N/A—Not available
[1] ends 5/81
[2] ends 5/82

In the current year, the chain expects to build another 1.3 million sq. ft. of retail space in the form of 130 new stores. Barring store closings, this will give Revco 1,670 units, or about twice the number of stores the chain owned in fiscal 1976.

On the other hand, Revco appears to be slowing down its remodeling program. While 76 units were overhauled in fiscal 1980, only about 30 facelifts were performed in fiscal 1981, and the retrofit program is down to 15 in the current year.

Although the company operates in 24 states, from Florida to New York and as far west as Arizona, current expansion is centered in the Sunbelt. However, the chain will not shrink from any location it deems a good one, whether it is downtown or rural, in a small shopping strip or in a regional mall. Altogether, some 95% of Revco's existing locations are in one kind of shopping center or another. ■



Winn-Dixie plans to open 50 stores and close 25, netting approximately 800,000 sq. ft. of space.

Focus on remodeling at Winn-Dixie

Winn-Dixie Stores Inc. is a chain that has stuck to a simple, straightforward building philosophy—steadily build conventional supermarkets in 13 southern states and pursue a vigorous program of modernization.

This year is proving to be no exception. Winn-Dixie will open 50 stores and close 25 units, giving the chain a net gain of approximately 800,000 sq. ft. This building activity represents a slight fall-off from the momentum of 1980's building program, measured by the company's fiscal year, which ended June 30.

For 1980, a total of 84 stores averaging 24,400 sq. ft. was opened, while 66 stores were closed, leaving 1,192 stores in operation at year-end. A total of 45 stores was substantially remodeled and an additional 25 stores were enlarged. As of June 30, 1980, Winn-Dixie had signed leases for 90 new stores, and 59 were under construction.

WINN-DIXIE

	1980	1981
Stores in operation at end of calendar year	1,216	1,241
Total stores added in calendar year	84	50
Square footage added in calendar year	1,750,000	1,275,000*
Number of stores enlarged or remodeled	70	20*
Number of stores closed	60	30*
Square footage lost through closings	N/A	N/A
Total capital expenditures	$95,000,000	$85,000,000

*estimate
Source: Chain data and *Chain Store Age Executive* estimates
N/A—Not available

The slight decrease in building momentum, according to a Winn-Dixie spokesman, can be attributed to difficulties encountered by developers trying to obtain funding for new projects. However, the spokesman adds that once the high interest rates came down, Winn-Dixie's building would resume the active pace of 1979-80.

Included in Winn-Dixie's capital expenditures of $85 million for calendar 1981 is a budget to install computer assisted checkout systems in over 300 stores by June 1982. In addition, Winn-Dixie is building a new 100,000-sq.-ft. plus distribution center in Sarasota, Fla., this year.

Although Winn-Dixie plans to enlarge only 15 stores this year, the chain will continue its remodeling program, contingent on a review of the physical condition of existing stores. ■

Montgomery Ward building program falls off

It should come as no surprise to retailing observers that Montgomery Ward's building plans have fallen off sharply.

In 1980, Ward's sales rose only 2.3% over 1979, while combined earnings plummeted 51% to a deficit of $163 million. And for the first two quarters of 1981, through June 30, Montgomery Ward has already lost $65 million. The company has also reportedly prepared a program offering widespread early retirement to middle rank executives in an effort to cut administrative costs.

Last year, Ward announced that the bulk of its building would be directed toward converting existing Montgomery Ward stores to the chain's hybrid discount units, known as Jefferson Ward stores. However, after Stephen Pistner, former president of Dayton Hudson became president and coo of Ward in March 1981, he put a hold on the conversion project.

Many observers expect that Pistner's move will only delay the inevitable, and, in fact, some insiders are betting that Pistner will accelerate the Ward conversions. An even more radical school of thought has Pistner converting the *entire* Ward chain to discount stores, except for those full-line stores being reformatted by the Doody Co.

At any rate, Ward says it will definitely complete 16 of the conversions this year under a three-year program. As a result, Montgomery Ward stores are expected to remain at 411 units at year end, with approximately 13 new stores added and an equal number closed.

MONTGOMERY WARD

Ward's gross square footage for 1981 will be nearly a third less than last year's 3.2 million sq. ft., while the chain's net square feet added will slip to under 1 million for the first time in over a decade. ■

Albertson's picks up 1980 slack

Albertson's, the Boise, Idaho-based supermarket chain, hopes that its building plans for 1981 will make up for the interest rate-related slack that occurred last year.

Robert D. Bolinder, Albertson's vice chairman explained the 1980 falloff to the Society of Financial Analysts in Los Angeles recently by saying that "tighter money, higher interest rates and more competition for available sites caused some developers to drop by the wayside."

The chain expects to open 20 conventional markets and 10 combo stores, spending about $50 million on new and remodeled units.

In 1981 however, Albertson's will open 20 conventional markets, averaging over 30,000 sq. ft. in space, and 10 combination stores, which average over 55,000 sq. ft. in space. Last year the chain opened 16 conventionals and 10 combo units. Albertson's has also begun construction on a new 354,000-sq.-ft. grocery distribution center in Aurora, Colo., a suburb of Denver.

An early pioneer in the food-drug combination store, Albertson's maintains that this concept will be "the mainstream of the 80's." Accordingly, Albertson's is opening five combination stores in north Nebraska and South Dakota that will be unusually large, averaging 65,000 sq. ft. In addition, Albertson's plans to add another 10 to 12 combo units in those states in the next two years.

Albertson's is also actively pursuing store sites in southern California, according to Warren McCain, chairman. And, McCain says, remodels will continue to play an important role in Albertson's building plans. Approximately 20 stores are set for remodeling or expansion in 1981, about the same number as the chain remodeled last year. In fact, over 90% of the chain's stores have been completely rebuilt or remodeled in the last 10 years.

Overall, Albertson's will add just slightly over 1 million sq. ft. of selling space in 1981, after closing some six stores representing 140,000 sq. ft. The chain will spend about $50 million on capital expenditures for new and remodeled stores, compared with the $37 million allotted for capital expenditures in 1980. ■

Macy to maintain higher spending levels

In 1981, R. H. Macy upped the ante in capital expenditures to nearly $116 million, an increase of 24% over the $93.4 million the company spent in 1980. What's more, Macy execs intend to maintain this level of spending through 1983.

The projected result will be 2.3 million sq. ft. more than the 20.9 million sq. ft. that Macy owned at the end of 1980. That translates into 12 new department stores, most of which will be situated in regional shopping centers.

Of Macy's six divisions—Macy's New York, Macy's California, Macy's Missouri-Kansas, Bamberger's, Davison's and Lasalle's—Bamberger's has so far been the greatest beneficiary of these expenditures. In spring 1981, the company launched a new, 256,000-sq.-ft. unit in King of Prussia, Pa., and is following up this fall with 200,000-square-footers in White Marsh, Md. and Hunt Valley, Md. The latter pair represent Macy's only holdings in the Free State.

Bamberger's

Bamberger's has been the greatest beneficiary of Macy's increase in capital expenditures to nearly $116 million.

Macy's California is slated to embrace two new department stores—a 179,000-sq.-ft. unit in Santa Rosa and a 146,000-square-footer in Modesto—later this year. This will bring the division's holdings up to 21 outlets with a total of 4,546,000 sq. ft. of gross space. What's more, a 150,000-square-footer is scheduled to open in late 1982, and a 175,000-sq.-ft. store is planned for 1983.

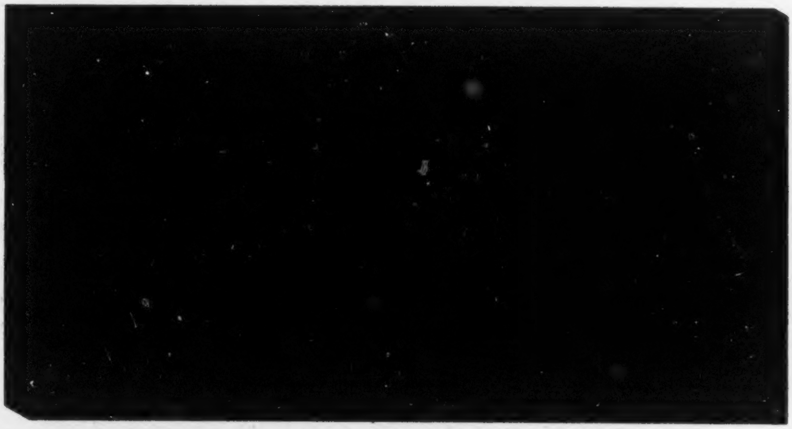
A percentage of capital expenditures goes not to stores, however, but to the improvement of the corporation's wholly-owned shopping centers. A five-year plan is in the works for the enclosure and renovation of the Garden State Plaza center in Paramus, N.J., for instance. Similar projects are scheduled at Valley Fair center in San Jose, Calif., and the Bay Fair center in San Leandro, Calif.

The bulk of these expenses will be covered by internally generated cash flow. In the last complete fiscal year, Macy reported that funds from operations had amounted to $149.9 million—more than enough to cover capital expenditures last year of $56.5 million. ■

May 5-year plan on schedule

The May Department Stores Co.'s department store division and Volume Shoe chain once again paced the corporation's building plans in 1981.

With the addition of five new stores, one store replacement and one store expansion, May added 690,000 sq. ft. of department store retail space. Famous-Barr opened two stores, one in Cape Girardeau, Mo., and one in St. Charles, Mo., while the May Co. opened two stores in California, in National City and Los Angeles. A Hecht store in Laurel, Md., will be replaced by one in Bel Air, Md., and May's Regency Square store will be



expanded by May-Cohens, Florida.

In addition, May plans to continue to open four to five department stores annually through 1985, which will add a total of approximately 4 million sq. ft.

Volume Shoe stores will fall off in building frequency this year, as 120 of the 3,000-sq.-ft. units are planned, as opposed to 167 which were built last year. Volume Shoe was acquired by May in 1979, and has concentrated its growth in the heavily populated Sunbelt states.

Through 1985, May plans to add a total of approximately 4 million sq. ft. of retail space.

The 10-year-old Venture chain, May Department Stores company's discount arm, has not undergone any expansion in the past two years, remaining stable with 45 stores spread out over metropolitan markets in Chicago, St. Louis and Kansas City, as well as a few small Midwestern cities.

Overall, May is committed to a $1 billion program for capital expenditures covering the years 1981-86. ■

American slows building pace

American Stores Co. has geared down its building plans for 1981.

According to Richard Shanaman, executive vp and treasurer of the supermarket and drug company, American is entering a "transition stage" in its building development. "More time is needed to build and develop our combination supermarket and drug stores," Shanaman explained, "as compared to our small markets and drug stores."

The combination stores, which average 60,000 sq. ft., are the cornerstone of American's expansion

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plans, Shanaman says. The chain plans to build 10 combos this year, primarily in California and the Southwest, bringing its total of combo stores to 61.

American also plans to build 20 supermarkets and two drug stores this year, primarily within its Alpha Beta supermarkets division. Last year American added 24 stores to Alpha Beta, and with this year's projections on target, American hopes to have 348 Alpha Betas operating by the end of 1981.

American does not, however, plan to add any stores to its 364-unit Acme supermarkets division. American has spent extensive time and money promoting the troublesome Acme chain in the competitive Pennsylvania-New Jersey-Delaware market, and, Shanaman says, "We want to get those assets earning."

Although American "is not going to press opening many more stores at the present time," Shanaman says, "we do plan on opening more in the future on an annual basis."

Reflecting the de-emphasis in building plans, American's gross square footage for the year slid from 1.6 million to approximately 1 million sq. ft. this year. However, Shanaman emphasizes, American is continuing its ongoing remodeling program, and in 1981 23 Skaggs drug stores will be fully remodeled or expanded.

Overall, American's capital expenditures for new and remodeled stores will slip in 1981 to $110 million, down from $140 million in 1980.

AMERICAN

	1980	1981
Stores in operation at end of calendar year	1,136	1,154
Total stores added in calendar year	52	30
Square footage added in calendar year	1,600,000	1,000,000
Number of stores enlarged or remodeled	5	4
Number of stores closed	14	12
Square footage lost through closings	210,000	180,000
Total capital expenditures	$140,000,000	$110,000,000

Source: Chain data and *Chain Store Age Executive* estimates

American plans to build 20 supermarkets and two drug stores, primarily within its Alpha Beta division.

Big Apple shines for Allied

In 1981, Allied Stores concentrated its growth in the New York Metro market. When the calendar year comes to a close, the $2 billion-a-year retailer, which opened a Bonwit Teller flagship store in Manhattan in April, will also have opened six Plymouth specialty shops throughout the area.

The company also went the acquisition route to bolster its holdings in the vicinity of the Big Apple. Allied purchased four Long Island locations from the now-defunct Korvettes chain and converted them to its Gertz department store format, thereby adding a total of 587,000 sq. ft. to what was a four-store division at the beginning of the year.

Other construction in 1981 includes seven department stores in Cutler Ridge and Port Richey, Fla.; Corpus Christi and San Antonio, Tex.; Greenwood, Ind.; Somerville, Mass., and Pocatello, Idaho, as well as another Bonwit Teller in Bal Harbour, Fla.

The company also closed an 87,000-sq.-ft. Jordan Marsh department store in Malden, Mass. This brought Allied's net gain, exclusive of acquisitions, to 823,000 sq. ft.

In the next few years, however, Allied has set its sights on expansion in other markets.

The Jordan Marsh stores in New England, for instance, represent a very profitable sector of the Allied chain, so expansion there is likely. Joske's, with 27 stores throughout Texas and Arizona, will also be a center of attention.

Other divisions that are favored candidates for construction are Jordan Marsh in Florida; Maas Brothers, with 19 stores on Florida's Gulf Coast; Stern's, a seven-unit division in New Jersey, and The Bon, with 32 stores in the Pacific Northwest which range from 32,000 sq. ft. (in Pendleton, Ore.) to 878,000 sq. ft. (in Seattle). ■

ALLIED

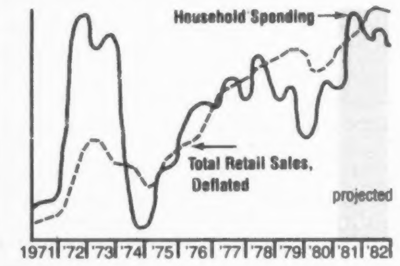
	1980	1981
Stores in operation at end of calendar year	226	240
Total stores added in calendar year	14	15
Square footage added in calendar year	819,400	910,000
Number of stores enlarged or remodeled	N/A	N/A
Number of stores closed	1	1
Square footage lost through closings	560,000	87,000
Total capital expenditures	$60,000,000	$115,000,000

Source: Chain data and *Chain Store Age Executive* estimates

N/A—Not available

Sales gains ease; see 5% for Sept.

Spending Indicator



Total Retail

	Sales Change By Quarter								12-Month % Change		
	'80 1Q %	'80 2Q %	'80 3Q %	'80* 4Q %	'81* 1Q %	'81* 2Q %	'81* 3Q %	'81* 4Q %	'79 %	'80 %	'81* %
Sales include inflation	9.4	5.0	5.9	7.3	10.2	12.7	11.5	10.9	11.0	7.0	11.0
Real sales (Deflated)*	−1.2	−5.0	−4.2	−2.9	0.7	4.0	4.4	5.3	1.0	−3.0	4.0

Base = May 1981 Sales
*Projected

Total retail sales are are now expected to show a 5% rate-of-gain this month, but a continuing slowdown in several key sectors (drug, food service, home building) has trimmed expectations for third quarter gains to under 5% for the first time this year.

Earlier L/F Econocycle projections were calling for solid 6% increases in the general retail outlook.

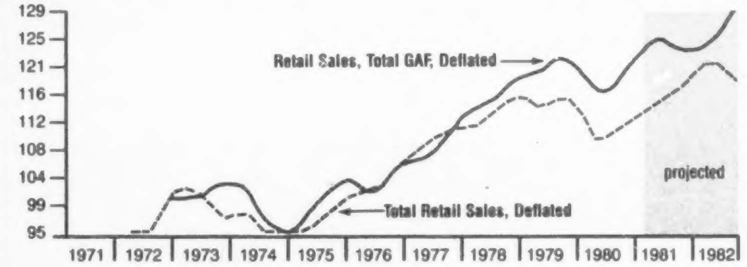
But the falloff of drug store sales since recently revised Dept. of Commerce figures were introduced (now projecting a 1.1% gain for the third period), food service (forecasting a 2.5% gain) and building supplies/home center outlets continues to impact the year-end outlook.

The L/F Econocycle projection for the concluding third quarter (calendar year) is now pegged at 4.4% for general retailing. Apparel specialists for this same period, however, are projecting 6.8% gains and discounters a solid 5.7%.

Grocery and supermarket outlets are moving against these trendlines with expected 6% gains for October and again in November, according to the L/F computer model. This new surge represents a major breakthrough for food retailers who have been operating on the downside of the general trends for the past two years.

Other retail areas that look strong for September selling are:

- Apparel, with a projected 7% plus gain that will trend even higher going into the year-end.
- Discount stores, now aiming at a 6.2% September gain.



1973 = 100

Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	− 8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	− 9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	− 1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q*	10.2	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q*	20.7	11.3	10.7	17.5	9.9	9.8	9.6	12.5	11.3
	3Q*	11.5	8.8	10.9	15.3	8.7	9.2	10.3	10.9	10.4
	4Q*	10.9	6.4	8.9	− 6.1	5.7	9.5	10.0	7.3	8.3
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	7.0	9.0	10.0
	1980	7.0	11.0	9.0	− 3.0	12.0	5.0	5.0	6.0	5.0
	1981*	11.0	10.0	9.0	12.0	9.0	9.0	10.0	10.0	10.0

Real Sales (Deflated)*
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	− 1.2	5.8	0.0	− 2.6	3.8	4.9	− 1.4	1.9	1.8
	2Q	− 5.0	4.9	− 0.1	−17.6	2.0	− 3.4	0.5	− 2.4	− 2.0
	3Q	− 4.2	2.0	− 0.9	−18.5	0.5	− 5.8	− 0.2	− 3.4	− 3.3
	4Q	− 2.9	− 0.6	− 1.8	−10.4	3.9	− 1.1	1.5	− 2.0	− 1.1
1981	1Q	0.7	− 1.4	− 2.1	− 1.2	0.2	2.2	5.9	0.9	2.2
	2Q*	4.0	0.5	1.5	8.9	0.7	4.3	5.2	6.0	5.5
	3Q*	4.4	2.7	2.5	7.0	1.1	4.1	6.8	5.3	5.4
	4Q*	5.3	5.9	1.4	1.7	− 0.6	2.5	7.3	1.6	3.0
% change 12 mos.	1979	1.0	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980*	− 3.0	3.0	− 0.7	−12.0	2.0	− 1.0	0.1	− 1.0	− 1.0
	1981*	4.0	2.0	0.8	3.0	0.4	3.0	6.0	3.0	4.0

Base = May 1981 Sales *Projected

About Econocycle

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October 1981

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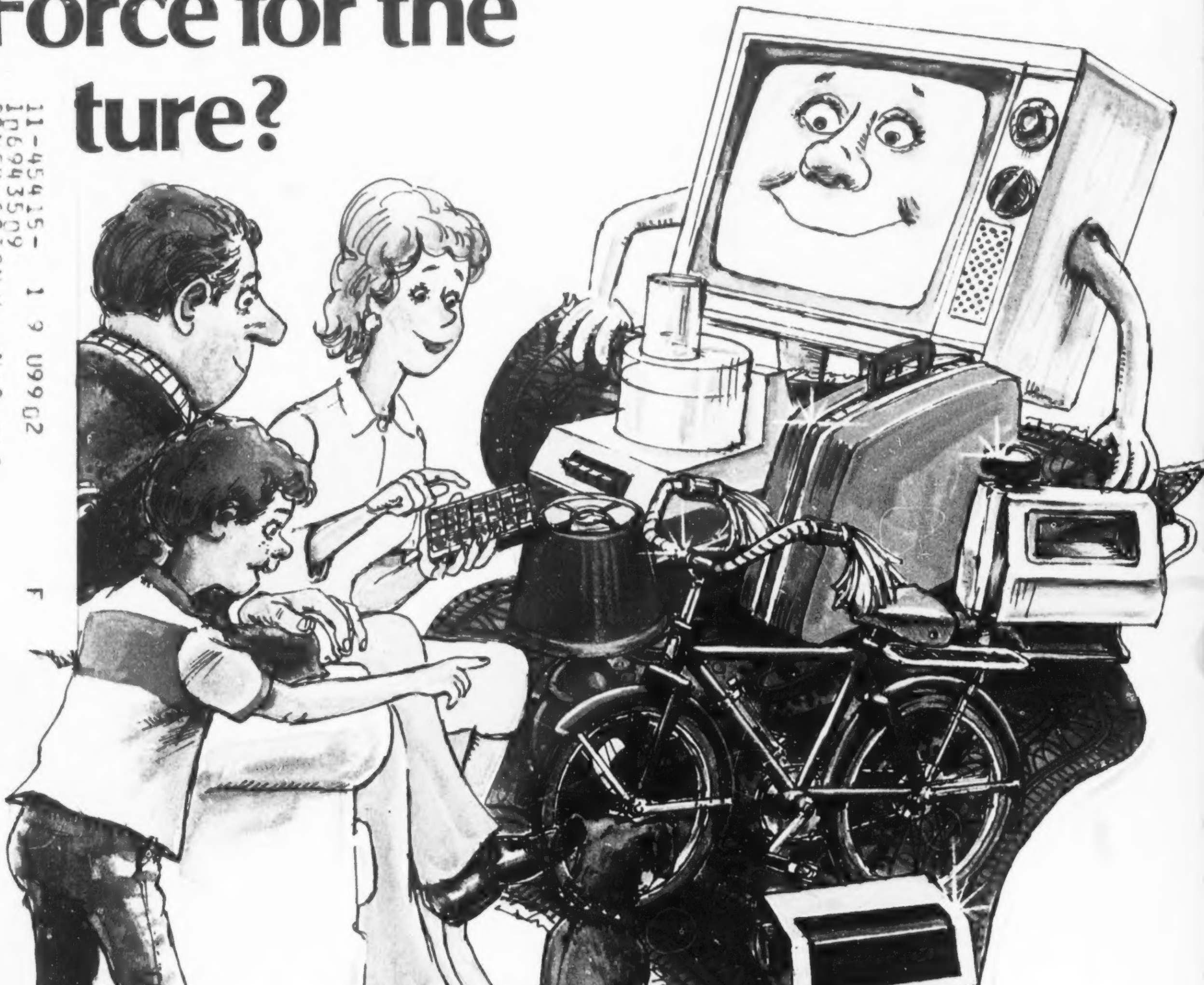

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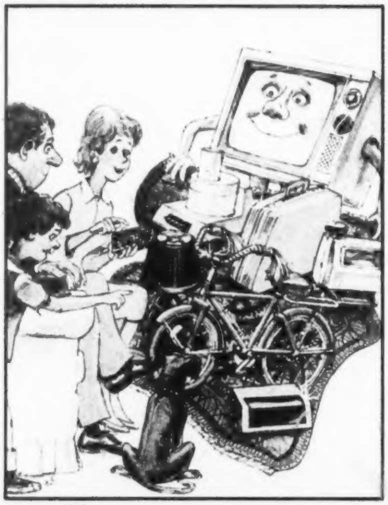

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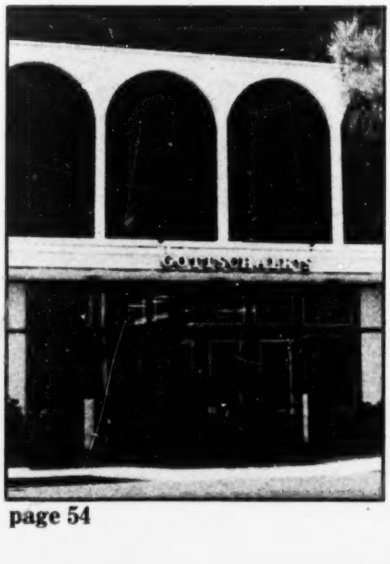

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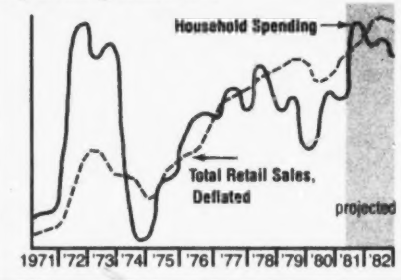
See comeback in 'golden' qtr. sales

Spending Indicator



Total Retail

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Sales include inflation	9.4	5.0	5.9	7.3	10.2	11.9	10.3	9.4	11.0	7.0	10.0
Real sales (Deflated)*	– 1.2	– 5.0	– 4.2	– 2.9	0.7	3.4	3.4	4.0	1.0	– 3.0	3.0

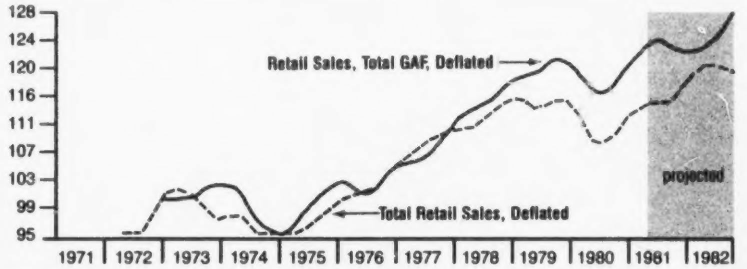
Base = June 1981 Sales
*Projected

The Lebhar-Friedman spending indicator (below) continues to mirror persistent upward growth of retail sales through the balance of 1981. In fact, a sharp pickup in the spending rate now suggests a resurgence of consumer confidence that may lift current sales-projections beyond forecast levels in the last two months of the traditional "golden" quarter.

General retail sales should move ahead at 4.1% this month against same-month sales in 1980. (This follows a third quarter performance of 3.4% for all retailing and hints strongly at better-than-bargained-for results in November-December selling period.)

The L/F Econocycle projection is for continued "spotty" performances by specific retail categories.

- Department stores are being clocked for a 6.1% rate-of-gain this month—and will be running ahead of all other retail sectors for the first time this year.
- Discounters and general merchandise outlets, however, are plateauing vs. year-end 1980 gains.
- Apparel specialty operators (which have been pacing the field all year) are almost certain of "matching" gains of 5% in both 3rd and 4th quarters, according to the latest Econocycle computations.
- The "drag" on general retail performance continues to come from building supply retailers (home center), food service and drug stores. Drug stores, however, after a slight downturn, are set for clear-cut gains in the short-run as 1982 approaches.



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% Change By Quarter

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	3Q	5.9	11.2	8.3	– 9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	– 1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q*	10.2	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q*	11.9	10.5	11.9	15.4	11.1	8.8	8.2	11.8	10.4
	3Q*	10.3	7.9	11.9	13.9	9.7	7.2	8.2	10.6	9.3
	4Q*	9.4	7.5	9.5	5.5	6.3	7.2	7.2	7.0	7.1
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	6.0	9.0	10.0
	1980	7.0	11.0	9.0	– 3.0	12.0	5.0	5.0	6.0	5.0
	1981*	10.0	9.0	10.0	11.0	9.0	8.0	8.0	9.0	9.0

Real Sales (Deflated)*
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	– 1.2	5.8	0.0	– 2.6	3.8	4.9	– 1.4	1.9	1.8
	2Q	– 5.0	4.9	– 0.1	– 17.6	2.0	– 3.4	0.5	– 2.4	– 2.0
	3Q	– 4.2	2.0	– 0.9	– 18.5	0.5	– 5.8	– 0.2	– 3.4	– 3.3
	4Q	– 2.9	– 0.6	– 1.8	– 10.4	3.9	– 1.1	1.5	– 2.0	– 1.1
1981	1Q	0.7	– 1.4	– 2.1	– 1.2	0.2	2.2	5.9	0.9	2.2
	2Q*	3.4	0.3	2.8	6.3	1.2	3.1	4.0	5.2	4.5
	3Q*	3.4	2.6	3.9	5.1	1.4	2.3	4.7	5.2	4.5
	4Q*	4.0	5.8	2.6	– 2.7	– 0.5	0.5	4.7	1.6	2.1
% change 12 mos.	1979	1.0	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980*	– 3.0	3.0	– 0.7	– 12.0	2.0	– 1.0	0.1	– 1.0	– 1.0
	1981*	3.0	2.0	2.0	2.0	0.6	2.0	5.0	3.0	3.0

Base = June 1981 Sales *Projected

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